

CA2ALQG  
1945T78  
V. 39



3 3398 00207 6023

# The Province of Alberta

IN THE MATTER OF "THE NATURAL  
GAS UTILITIES ACT"

—and—

IN THE MATTER OF an Enquiry into  
Scheme to be adopted for Gathering,  
Processing and Transmission of  
Natural Gas in Turner Valley

G. M. BLACKSTOCK, Esq., K.C., *Chairman*

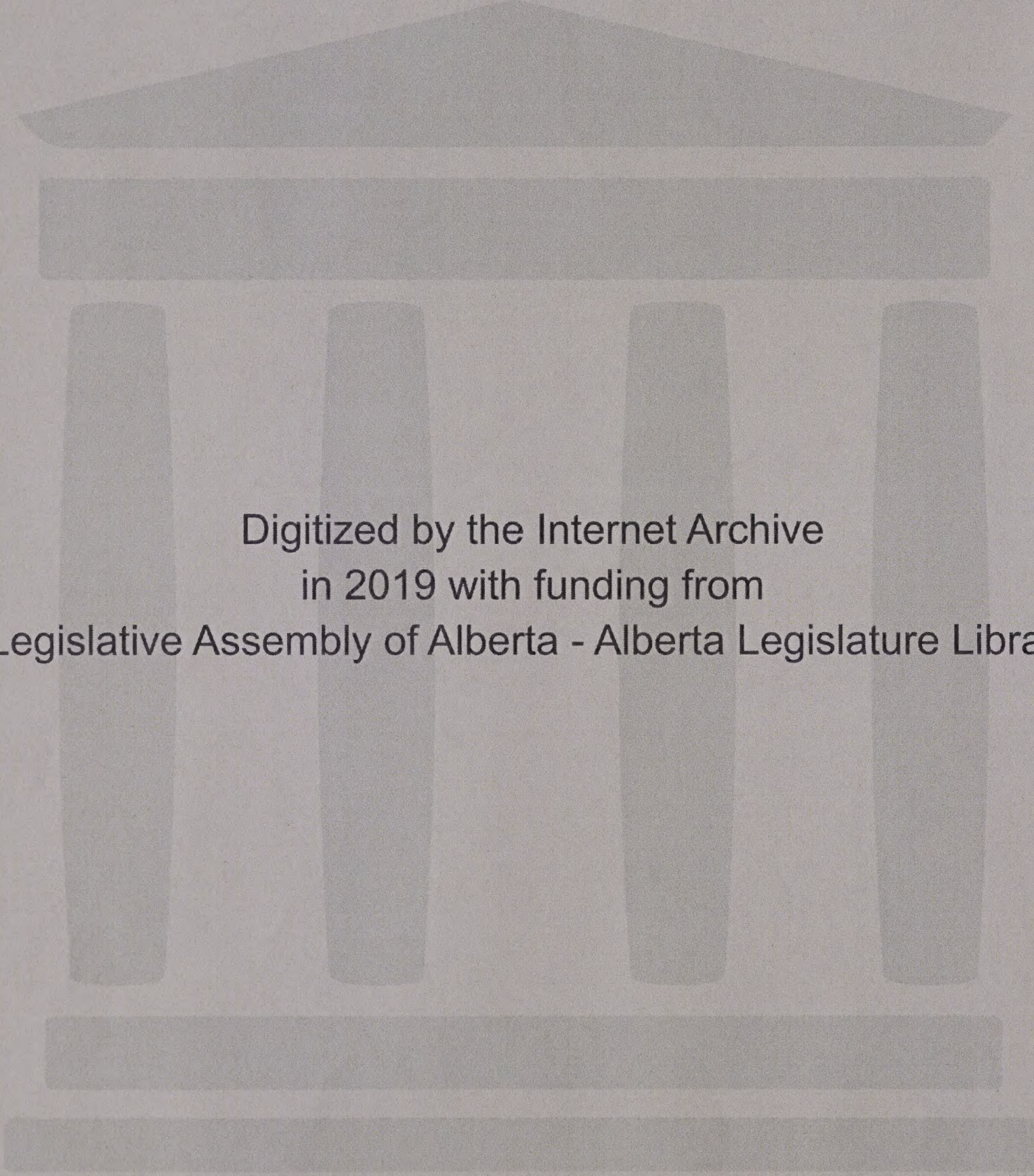
Dr. E. H. BOOMER, F.C.I.C., *Commissioner*

***Session:***

CALGARY, Alberta September 13th, 1945

**VOLUME** 39





Digitized by the Internet Archive  
in 2019 with funding from  
Legislative Assembly of Alberta - Alberta Legislature Library



# INDEX

## VOLUME 39

14th September, 1945.

## WITNESSES

### R. D. BAKER (Continued)

Cross-Examination by Mr. McDonald.....	2973
Re-Examination by Mr. Chambers.....	2984
Cross-Examination by Mr. Fenerty.....	2995
Cross-Examination by Mr. Blanchard.....	3002
Cross-Examination by Dr. Boomer.....	3007
Cross-Examination by The Chairman.....	3012

### ROBERT DONELLAN (Continued)

Direct Examination by Mr. Harvie.....	3016
Cross-Examination by Mr. Steer.....	3045

## EXHIBITS

### No.

112	"Financial Post" - December 16th, 1944.....	2974
102A	Letter of Transmittal of Volume 2, February 15th, 1945 and Supplement 1 to Volume 2....	3017
113	British American Oil Company's Submission Volume 3.....	3035
113A	British American Oil Company's Supplement to Volume 3.....	3035
113B	British American Gas Utilities Limited Estimated Costs, May 22nd, 1945 (Volume 5).....	3041

: : : :



100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100



T-1-1 9.30 A.M.

R. D. Baker,  
Cross-Ex. by Mr. McDonald.

- 2973 -

Volume 39

13th September, 1945.  
9.30 A.M. Session

MR. CHAMBERS: I believe Mr. McDonald has some cross-examination.

THE CHAIRMAN: Were you not re-examining when we adjourned?

MR. CHAMBERS: No, I had not started.

CROSS-EXAMINATION OF THE SAME WITNESS BY MR. McDONALD.

Q Mr. Baker, there seems to be some difference of opinion as between what you consider a return on the investment of the funds of a company and the return on the investment as referred to in this judgment of Mr. Justice Lamont that you have set out in the commencement of your brief. Would my illustration be your conception of the thing? If Royalite took \$678,000 and invested \$1000 in each one of the 678 companies referred to in the statistical returns; and in the year 1943 each of these companies paid by way of a dividend all of the net income of the company after allowance for depreciation and depletion which would be retained by the company, then Royalite would receive 9.04 per cent on the investment of \$678,000. That is your illustration.

A Yes, if each of these companies paid all of their net earnings out by way of cash dividends.

Q Well I will give you another example and then we might argue from that. There is currently running in the Financial Post two accounts, two investment accounts. They call them the MacNab Account and the Compton Account. They were commenced on December 16th, 1944. They are what you call theoretical investment accounts as illustrations of how an investor might get a return if he followed the procedure outlined by the management of those two accounts.



7-1-1 10:00 A.M.  
7-1-1 10:00 A.M.  
B. A. ...  
C. A. ...

Volume 100  
Page 100  
A. A. ...

...  
...

...  
...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...



R.D. Beker,  
Cross-Ex. by Mr. McDonald.

- 2974 -

I take it that they are being operated in theory by two different financial counsel for purposes of illustration. Now I see that the MacNab Account . . . . .

MR. CHAMBERS: Which paper are you referring to?

MR. McDONALD: The Financial Post.

MR. CHAMBERS: What date?

MR. McDONALD: December 16th, 1944.

Q MacNab is to obtain for the investors the maximum income consistent with safety of capital and the Compton Account wants income but he also hopes to enlarge it. His aim is about 50-50 between income and capital appreciation. In other words, one is more speculative than the other.

A Yes.

Q Now I see, if you will just look at this, what is the rate of return, the average rate of return that on that date the MacNab Account would earn?

A It says here 4.42 per cent.

Q What is the average rate of return that the Compton Account would earn on that date?

A It says here 3.94 per cent.

Q Would you look at those securities that are listed in these statements and tell me if they are a fair average investment in Canadian industrial and speculative stocks?

A Yes, they are hand picked.

MR. McDONALD: I tender that, Mr. Chairman,  
Financial Post dated December 16th, 1944. . . . .

FIRST PAGE OF THE SECOND  
SECTION IS NOW MARKED  
EXHIBIT 112.

Q Could you tell me if there are any public utilities in those lists, Mr. Baker?



U.S. DEPT. OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION

- 2 -

I am in that the only person in the office of the  
Director of the Federal Bureau of Investigation.

The following is a list of the names of the persons  
who have been in the office of the Director of the  
Federal Bureau of Investigation.

- Mr. J. Edgar Hoover
- Mr. Clegg
- Mr. Glavin
- Mr. Ladd
- Mr. Nichols
- Mr. Rosen
- Mr. Tracy
- Mr. Carson
- Mr. Egan
- Mr. Gurnea
- Mr. Hendon
- Mr. Pennington
- Mr. Quinn
- Mr. Nease
- Mr. Gandy

Mr. J. Edgar Hoover, Director of the Federal Bureau of Investigation, is the only person in the office of the Director of the Federal Bureau of Investigation who has been in the office of the Director of the Federal Bureau of Investigation for more than ten years.

Mr. J. Edgar Hoover, Director of the Federal Bureau of Investigation, is the only person in the office of the Director of the Federal Bureau of Investigation who has been in the office of the Director of the Federal Bureau of Investigation for more than ten years.

Mr. J. Edgar Hoover, Director of the Federal Bureau of Investigation, is the only person in the office of the Director of the Federal Bureau of Investigation who has been in the office of the Director of the Federal Bureau of Investigation for more than ten years.

Mr. J. Edgar Hoover, Director of the Federal Bureau of Investigation, is the only person in the office of the Director of the Federal Bureau of Investigation who has been in the office of the Director of the Federal Bureau of Investigation for more than ten years.

Mr. J. Edgar Hoover, Director of the Federal Bureau of Investigation, is the only person in the office of the Director of the Federal Bureau of Investigation who has been in the office of the Director of the Federal Bureau of Investigation for more than ten years.

Mr. J. Edgar Hoover, Director of the Federal Bureau of Investigation, is the only person in the office of the Director of the Federal Bureau of Investigation who has been in the office of the Director of the Federal Bureau of Investigation for more than ten years.

Mr. J. Edgar Hoover, Director of the Federal Bureau of Investigation, is the only person in the office of the Director of the Federal Bureau of Investigation who has been in the office of the Director of the Federal Bureau of Investigation for more than ten years.

Mr. J. Edgar Hoover, Director of the Federal Bureau of Investigation, is the only person in the office of the Director of the Federal Bureau of Investigation who has been in the office of the Director of the Federal Bureau of Investigation for more than ten years.

Mr. J. Edgar Hoover, Director of the Federal Bureau of Investigation, is the only person in the office of the Director of the Federal Bureau of Investigation who has been in the office of the Director of the Federal Bureau of Investigation for more than ten years.

Mr. J. Edgar Hoover, Director of the Federal Bureau of Investigation, is the only person in the office of the Director of the Federal Bureau of Investigation who has been in the office of the Director of the Federal Bureau of Investigation for more than ten years.



R. D. Baker,  
Cross-Exam. by Mr. McDonald.

- 2975 -

A Yes, quite a few.

Q Could you just name a few of them, just to illustrate?

A Well there is Bell Telephone.

Q Yes.

A Winnipeg Electric, Montreal Light, Brazilian Traction. Is that enough?

Q Yes, that would be fine. Now we will take Winnipeg Electric. Is Winnipeg Electric financed on a composite scheme of a bond issue, preferred stock and common stock, or which of the three?

A All three.

Q All three, yes. Bell Telephone, is that all three?

A Two.

Q What two are those?

A Bonds and common.

Q Now I take it what is referred to here are common stocks. Maybe you had better look. I just have not checked. No, I think Winnipeg Electric is preferred is it not?

A Winnipeg Electric is preferred, yes. Bell Telephone is common, Brazilian is common and Montreal Light is common.

Q Now can you tell me if that Winnipeg Electric preferred is a guaranteed rate of interest?

A Oh no. What do you mean by guaranteed?

Q Is it preferred 6% cumulative?

A I do not think it is. I have forgotten.

Q Well I do not know. But it is the secondary security, anyway, on all the assets of that company?

A Yes.

Q That is why it is preferred?

A Yes.



A.

1992 JUL 10

40. *Microtus pennsylvanicus*

Model of IMF at each time

•

• 227

1

2

7. 10. 1950 10. 10. 1950

9-13-1950

1912

•



R. D. Baker,  
Cross-Exam. by Mr. McDonald.

- 2976 -

Q Now can you tell me what is the rate of interest on the Winnipeg Electric bonds?

A The rate of interest?

Q Yes.

A 5 per cent.

Q Would it be a fair assumption that the preferred stock is preferred to a dividend rate of 6%?

A No, because it says 5 here.

MR. CHAMBERS: I do not think he got the question.

A It says 5 here.

Q MR. McDONALD: That is 5 per cent preferred?

A Do you want me to say 6?

Q No, whatever is there, that is what I want.

A That is all it says here, 5 per cent.

Q Preferred stock?

A Yes.

Q Oh yes. In fixing your rate of return for a public utility, the rate of return fixed by this Board or any other governing body is the gross rate of return from which the bond interest, 5% or whatever it is, is paid and then the preferred stock interest is paid and whatever is left then goes to the common stock, is that not so?

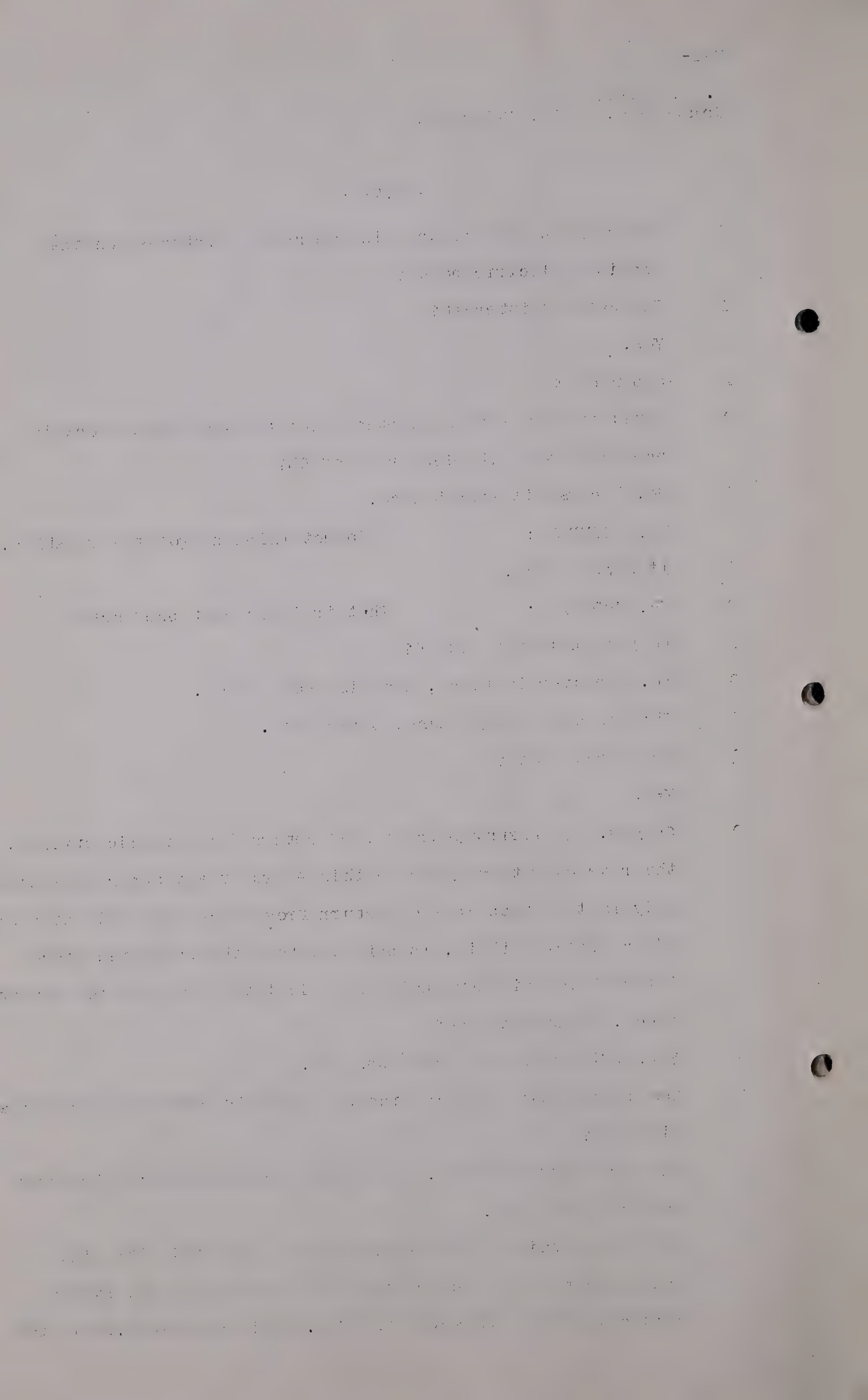
A Yes, after all other charges, yes.

Q Now do you know whether Winnipeg Electric common has earned a dividend?

A They have not paid one. They might have earned one but they have not paid one.

Q Now then I think I put it right when I say this that the rate of return earned on these two accounts or the stocks listed in those two accounts of 4.42% in one and 3.94 in the







R. D. Baker,  
Cross-Exam. by Mr. McDonald.

- 2977 -

other is the amount of money or the rate of return fixed by the various Boards of Directors.

A Fixed what?

Q Fixed by the various Boards of Directors.

A The rate of return?

Q No, the amount of money that is referred to in that percentage. The various Boards of Directors have declared a dividend.

A Well, Boards of Directors do not. It is by contractual obligation on the bonds and after that on the preferred. After that on the common, that is the decision of the Directors, yes.

Q But on common stock a dividend is declared by the Board of Directors. It is not a matter of contract, the question of common stock.

A In some cases, quite a few cases, it might have to be qualified by their bylaws. In other words, they might not be able to pay dividends until their working capital has reached a certain point. They might not be able to pay dividends until certain charges have been met prior to that. They might have to anticipate. It is by the Board of Directors after that.

Q Do you think in most industrial companies that they pay out their entire net income in dividends?

A Beg pardon?

Q Would you say that most Boards of Directors pay out by way of dividends the entire net income of the company?

A I know companies that do, yes.

Q But in that list of companies referred to in those two accounts?

A No, I cannot say that I am aware of any of those companies paying out their entire net income. It could be but I do



1990

[illegible][illegible]

• 100 •



R.D. Baker,  
Cross-Exam. by Mr. McDonald.

- 2978 -

not know.

Q In other words, the income of the companies, as you have referred to in your evidence, is only partly paid out in dividends?

A Cash dividends?

Q Yes.

A Yes.

Q And partly retained in the company?

A Yes.

Q In surplus accounts or in special accounts for reconversion or something of that kind?

A That is right.

Q Just while we are dealing with dividends, reference was made yesterday to the Royalite Company having paid a dollar dividend in the year 1944, for instance, and reference was made to the fact of the stocks having a market value of \$20.00 which would give a rate of 5%. Now can you recollect what the market value of Royalite stock was say in 1933 or 1934?

A No. I have got it here, but I cannot recollect it.

Q Well if you have it would you tell me?

A What year?

Q 1933.

A Oh, 1933, I do not go back that far.



1. The first

2. The second

3. The third

4. The fourth

5. The fifth

6. The sixth

7. The seventh

8. The eighth

9. The ninth

10. The tenth

11. The eleventh

12. The twelfth

13. The thirteenth

14. The fourteenth

15. The fifteenth

16. The sixteenth

17. The seventeenth

18. The eighteenth

19. The nineteenth

20. The twentieth

21. The twenty-first

22. The twenty-second

23. The twenty-third



C-1-1 9.45 a.m.

R. D. Baker,  
Cross-Exam. by Mr. McDonald.

- 2979 -

Q Oh, 1933?

A Oh, 1933, I did not go back that far.

Q How far back do you go?

A I go back to 1938.

Q What was it in 1938?

A In 1938 was \$43.00.

Q Well now, from your experience in the market can you tell me in what year the Royalite stock had been freely traded in under \$10.00?

A In what year was it what?

Q Being freely traded in under \$10.00 per share, have you any recollection of that?

A No, I cannot go back that far.

Q I am going to suggest to you in that year or in those years the Royalite dividend was not a dollar but was a dollar and a half a share?

A A dollar and a half in 1938.

Q Yes, but the stock was up to \$43.00; now would you say that there is any real connection between the market price of the stock and the amount of dividend which has been paid by the Royalite Oil Company from time to time?

A Not necessarily.

Q I suggest as a financial counsel that you would recommend to a purchaser of stock of the calibre of Royalite that it would be a good purchase because it is a subsidiary company and there will be or could be anticipated a regular dividend payment because of the fact that the parent organization requires the income from its subsidiary, would that be sound advice?

A It would be a factor.



1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1

1-1-1



R. D. Baker,  
Cross-Exam. by Mr. McDonald.

- 2980 -

Q Yes?

A In giving the advice, yes.

Q Yes, and I suggest to you that the dollar rate of dividend which is maintained in Royalite is maintained partly to maintain the income of the Imperial Oil Company?

MR. CHAMBERS: Are you putting that to him as a fact?

MR. McDONALD: I am suggesting to him that that would be a factor.

MR. CHAMBERS: Then you are asking him to assume that that is a factor?

MR. McDONALD: Yes.

Q MR. McDONALD: Is that a factor?

A Repeat that, will you?

Q Is it a factor in maintaining the dollar rate of income for the Royalite Company?

A A subsidiary earning?

Q Subsidiary earnings, yes..

A It could, yes.

Q And that is also true of the Consolidated Mining & Smelting Company of Canada Limited, a subsidiary of the Canadian Pacific Railway Company.

A I never heard of the Consolidated Mining & Smelting Company of Canada Limited being a subsidiary of the Canadian Pacific Railway Company, have you?

Q Well I think during the depression years, I think it was the main source of revenue of the Canadian Pacific Railway Company.

A The Canadian Pacific Railway Company owns stock in the Consolidated Mining but I never heard of it as a subsidiary of the Canadian Pacific Railway Company.

Q I will not argue that with you, I do not know, but you will admit that the International Petroleum, Mr. Baker, is a subsid-



... ..

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...



R. D. Baker,  
Cross-Exam. by Mr. McDonald.

- 2981 -

iary of the Imperial Oil Company?

A Is it?

Q I think it is in the consolidated balance sheet, although I am not sure.

MR. CHAMBERS: Now if you are going into these things I think you or somebody should go into the witness box.

THE CHAIRMAN: He is suggesting it to the witness and if the witness says "I don't know" there is no harm done, and if he says he does know then he may answer.

MR. CHAMBERS: Then the examiner proceeds to say it is so.

Q MR. McDONALD: No, I do not know, Mr. Baker, do you?

A No, I do not know.

Q Is it in the consolidated balance sheet of the Imperial Oil Company?

THE CHAIRMAN: The Valley Pipe Line Company is another subsidiary.

WITNESS: I would say it is looked upon as being in the Standard family, is that sufficient?

Q MR. McDONALD: That is sufficient. It is not important. Now, Mr. Baker, would you say that the year 1943 was a normal year for Canadian industrial operations?

A I do not think it would be fair to say that any year since the outbreak of war has been a normal year.

Q Now for the purposes of ascertaining excess profits tax, the Income Tax office or Parliament stipulated that the normal year of a corporation or any business would be the average profits earned for the years 1936 to 1939 inclusive, that is generally known?

A Yes.



... ..  
... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..



R. D. Baker,  
Cross.Exam.by Mr. McDonald.

- 2982 -

Q And they called that the "Standard profit"?

A Yes.

Q Now would you say that that profit covering those four years would be a standard, would be, - no, I will put my question this way, would you say that business conditions from 1936 to 1939 inclusive could be considered, when averaged out, would be standard or average business conditions?

A Well it works that way in some cases but I think if you will discuss that matter with the Board of Referees they will admit that it was most iniquitous in far more cases than they ever dreamed it would be, it was not normal in a great many cases and that is why there was a Board of Referees.

Q There had to be many adjustments?

A Oh, thousands.

Q But on the over-all picture would you say that it was standard?

A That would depend on which side of the fence I happened to be on.

Q THE CHAIRMAN: Well would it be a fair index?

A It was intended to be but it did not turn out to be.

Q MR. McDONALD: The reason I bring that up, Mr. Baker, is this, that what I think this Board should look to is to fix a rate of return that is related to normal business conditions rather than to abnormal business conditions?

A It should try to do that.

Q And I suggest to you that the point to start, I am suggesting to you that the point to start is not the year 1943 but the years 1936 to 1939 inclusive, and average out your rate of return for those years as a basis, what comment have you on that suggestion?

A I have not any on it at all. I think that it would probably



•••••  
•••••

11/1/77

I have been thinking about you a lot lately.

Love,

John

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.

John, I have been thinking about you a lot lately.



R. D. Baker,  
Cross-Exam. by Mr. McDonald.

- 2983 -

test out, it would surprise me if it was very much different from 1943 because the taxation feature has balanced things out, as you know, pretty well.

Q Yes. Well I mean if the tax feature does balance it out, then the 1943 might be approximately equitable?

A Yes, and I think you might be surprised at what you would find, that is what the taxes are supposed to do.

Q Yes, that is its purpose; do you or do you not know, Mr. Baker, that in connection with special war contracts awarded to numerous industrial concerns, special depreciation allowances have been made in connection with war installations?

A That is right.

Q And the fact that those depreciations were taken at say 50% instead of 15%, would be reflected somewhere in the increased earnings of those companies?

A Cash.

Q Yes, in the case income?

A Well not without cheating.

Q I just wanted your opinion on that, to test your summary.

Now can you express an opinion on this suggestion, Mr. Baker, that if in fixing a rate base the Utility Board uses a yardstick which gives to the Utility Company a liberal rate base, that is reproduction costs new say, in a relatively high price year such as 1943, that in fixing the rate of return the Utility Board should fix the rate on a diminishing basis, on a lesser basis than if it had used a more rigid yardstick in making the rate base.

A I wonder if I have been called here to answer that particular question.

Q Well have you an opinion on it? I do not know whether you



The first part of the paper is devoted to a discussion of the  
theoretical aspects of the problem. It is shown that the  
problem is equivalent to a problem in the theory of  
differential equations. The second part of the paper is devoted to  
the construction of a numerical algorithm for the solution of the  
problem. The algorithm is based on the use of the Runge-Kutta  
method. The third part of the paper is devoted to the  
analysis of the results of the numerical calculations. It is shown  
that the algorithm is stable and accurate. The fourth part of the  
paper is devoted to the conclusion. It is shown that the  
algorithm is suitable for the solution of the problem.



R. D. Baker,  
Cross-Exam. by Mr. McDonald.  
Re. Ex. by Mr. Chambers.

- 2984 -

feel qualified to answer it or not?

A No, I am not sufficiently well informed to give an opinion on that.

Q From your experience can you tell me, no, I do not think I will pursue that further, - can you express an opinion on the matter of income taxes bearing on the rate of return, do you think you are qualified on that?

A I am not a tax expert.

MR. McDONALD: Thank you.

THE CHAIRMAN: Mr. Steer, do you wish to cross-examine?

MR. STEER: I have nothing, Mr. Chairman.

THE CHAIRMAN: Mr. Harvie?

MR. HARVIE: No.

THE CHAIRMAN: All right then, Mr. Chambers.

.....

RE-EXAMINATION BY MR. CHAMBERS:

Q Mr. Baker, my friend Mr. McDonald has just discussed with you your view as to the relative net earnings of the companies during the war years and prior to those years, and I think you said to him, and correct me if I am wrong, that your view, by and large, was that the extra taxation imposed during the war pretty well evened the thing out for the companies as compared to prior to the war and during the war, am I right in that?

A It was designed to do that.

(Go to Page 2985 -



*Journal of Management Inquiry*, Vol. 19 No. 4, December 2010  
DOI: 10.1177/1056492610389101  
© The Author(s) 2010  
Reprints and permissions: <http://www.sagepub.com/journalsPermissions.nav>



R. D. Baker,  
Re-Exam. by Mr. Chambers.

- 2985 -

Q Well now then Mr. Baker, would you turn to the Bank of Canada's Statistical Summary that you filed yesterday as Exhibit 107 and which is referred to in your Exhibit 106, and as I understand it you take the last column on Page 11 of the Bank of Canada report and you deduct the funded debt and the advances from the Government and loans from parent and other companies and you find that the shareholders funds in the business amounted to \$3,251,000,000. Is that right ?

A That is right.

Q And then you took the net earnings after the income tax and applied it to that \$3,251,000,000 and the answer was 9.04% was it not ?

A That is right.

Q And that was the net average earnings for the 678 companies for the year 1943. Now, Mr. Baker, I am going to suggest this to you and I know you have not done the figuring, but I have had it figured and I would like you to check this later if my figures are not right. I suggest that if you take the first column, the year 1936, as shown on Page 11 of Exhibit 107, and apply to it the same methods that you used in arriving at your 9.04% for the year 1943, that the figures that you get for 1936 is 8.13, and that if you do the same for the year 1937 you get 10.17, and if you do the same for 1938 you get 8.41, and if you do the same for the year 1939 you get 9.88. Now I am just assuming that you take my figures as correct for the moment and that you take the average of those figures for the years 1936 to the year 1939, both inclusive, that the average is 9.15% as compared with 9.04% for the year 1943.

Now what I am putting to you is this, that that suggests to me and I am asking you whether you agree with me



• • • • •

• *Chlorophyll a* :  $1.1 \times 10^{-10}$  g.  $\text{cm}^{-2}$   $\times 10^4$  =  $1.1 \times 10^{-6}$  g.  $\text{cm}^{-2}$

1990

to the fact that . . . 1991, A.S. 112, which is in force

1952 11 11

1990

*[Faint handwritten notes]*



R. D. Baker,  
Re-Exam. by Mr. Chambers.

- 2986 -

or not that by virtue of the operation of the excess profits tax and the other war taxes imposed, the net result is more or less that the companies have paid in taxes sufficient moneys which have more or less kept their net earnings after paying taxes about more or less constant from 1936 on during the war years. Do you agree with that assumption ?

A Yes, the scheme of taxation was that no one should make a dollar out of the war. It was designed to prevent that very thing. Therefore net earnings must be more or less the same.

DR. BOOMER: That did not apply to personal income ?

A No you are right, sir.

MR. CHAMBERS: I submit this Board is not sitting on a matter involving personal income.

THE CHAIRMAN: Probably I wish it were.

MR. CHAMBERS: And I also.

Q Now my learned friend Mr. McDonald also put to you some questions as to why it was thought Royalite paid a dollar dividend and also why the Consolidated Smelters paid some other dividends and he suggested to you as I take it that one of the reasons that they paid dividends was so that the parent company would get some of the income. Do you recall that ?

A Yes.

Q Yes. Let me put this to you bluntly. Do you know why the Royalite Company Directors or the Smelter Company Directors happened to adopt the dividend policy that they have. Do you know ?

A I have not any idea.

Q You can conjecture up various things that might influence them. That is as far as you can go. Is that a fair way to put it ?

A That is right.



1-1-11

1-1-11

1-1-11

1-1-11

1-1-11

1-1-11

1-1-11

1-1-11

R. D. Baker,  
Re-Exam. by Mr. Chambers.

- 2987 -

Q I suggest to you when we are going into the realm of conjecture, I suggest to you this might influence the situation. It has been intimated here that other interests, and it is a fact, engaged in the oil industry control or have a majority share interest in the Royalite Company. That is more or less understood. You know that Mr. Baker ?

A Yes.

Q And that the parent or controlling interest is also interested in the obtaining of oil resources. That is common knowledge is it not. And to a certain extent at least use earnings or their funds in drilling and other development purposes. Is that not right, Mr. Baker ?

A I would assume so.

Q So there are various factors that must influence the Board of Directors of Royalite or any other company in their decision to pay cash dividends or not. That is just a fair way to put it is it not. Now Mr. Baker, turning back to the discussion that took place yesterday. With the terms net earnings that were used. I think that is what you used and the term dividend was used too. Now for the purpose of discussion would you tell me first of all what is your conception of what we mean by the net earnings of a company ?

A The net earnings of a company may be said to be dollars that create a fund, the owners of whom are the partners of the company, that is, the shareholders. That fund is free of any obligation and may be used in any manner without reference to others excepting the partners. It may be disbursed any way at all so long as it is in the interest wholly of the partners of the company, the shareholders.

Q When you speak of partners you speak of, technically they are





R. D. Baker,  
Re-Exam. by Mr. Chambers.

- 2988 -

shareholders ?

A Shareholders.

Q And when we speak of the Directors they in fact are in your view the agents named by the -

A Trustees for the partners.

Q Now for the purpose of the record would you give me in general words what you understand by the word, or what is your conception of, a dividend, a company dividend ?

A Of what ?

Q Of a dividend. You told us now about net earnings. Now what is your conception of a dividend.

A Well a dividend may be disbursed in all sorts of ways. I think the common conception of a dividend is cash dividend. Another well known dividend is a stock dividend. You may have dividends too disbursed in goods. For instance, the distillers on some occasions gave cases of whiskey. Not recently but they used to. Dividends may be declared in essence in bricks and mortar. You have your net earnings. The Directors may say to the partners, we will pay you ten cents on the dollar of those net earnings in cash. We will give you fractional stock and <sup>with</sup> the balance of these earnings we are going to build a plant that we hope will develop those funds of yours and in future we may pay larger cash dividends, but the ready reference when people speak of dividends is usually thought of in cash.

Q In what is paid out in actual dollars and cents ?

A Yes.

Q Mr. Baker, I want to put this assumption to you. Suppose you have two companies. We will take your own city of Winnipeg. Suppose you have two companies carrying on business in the



1. The first part of the report is a summary of the work done during the year.

- 1944 -

1. The first part of the report is a summary of the work done during the year.

2. The second part of the report is a summary of the work done during the year.

3. The third part of the report is a summary of the work done during the year.

4. The fourth part of the report is a summary of the work done during the year.

5. The fifth part of the report is a summary of the work done during the year.

6. The sixth part of the report is a summary of the work done during the year.

7. The seventh part of the report is a summary of the work done during the year.

8. The eighth part of the report is a summary of the work done during the year.

9. The ninth part of the report is a summary of the work done during the year.

10. The tenth part of the report is a summary of the work done during the year.

11. The eleventh part of the report is a summary of the work done during the year.

12. The twelfth part of the report is a summary of the work done during the year.

13. The thirteenth part of the report is a summary of the work done during the year.

14. The fourteenth part of the report is a summary of the work done during the year.

15. The fifteenth part of the report is a summary of the work done during the year.

16. The sixteenth part of the report is a summary of the work done during the year.

17. The seventeenth part of the report is a summary of the work done during the year.

18. The eighteenth part of the report is a summary of the work done during the year.

19. The nineteenth part of the report is a summary of the work done during the year.

20. The twentieth part of the report is a summary of the work done during the year.

21. The twenty-first part of the report is a summary of the work done during the year.

22. The twenty-second part of the report is a summary of the work done during the year.

23. The twenty-third part of the report is a summary of the work done during the year.

24. The twenty-fourth part of the report is a summary of the work done during the year.

25. The twenty-fifth part of the report is a summary of the work done during the year.

26. The twenty-sixth part of the report is a summary of the work done during the year.

27. The twenty-seventh part of the report is a summary of the work done during the year.

28. The twenty-eighth part of the report is a summary of the work done during the year.

29. The twenty-ninth part of the report is a summary of the work done during the year.

30. The thirtieth part of the report is a summary of the work done during the year.

R. D. Baker,  
Re-Exam. by Mr. Chambers.

- 2989 -

city of Winnipeg and they each have the same amount of shareholders' funds invested in them. They are both in the same line of business and they are both well managed, and they both earn 9.04%. That is their net earnings amount to 9.04% over a period of years. Companies "A" and "B".

Company "A", the directors in their discretion have over the years, instead of paying the 9.04% out in dividends each year, they have adopted the policy of having actually paid out only 6% each year and they have kept the other 3.04% in the business, either in bonds, buildings or something else of that nature. That is Company "A".

Now you take Company "B". The only difference is that Company "B" has adopted the policy - its directors - over a period of years of paying out to its shareholders each year the full net earnings. In other words 9.04%. Now we will come down to today. That is the situation of the company.

( Go to Page 2990 )



SECRET

... think that ...  
... in the ...  
... and in ...  
... That is ...  
... "A" ...

... in the ...  
... I ...  
... policy of ...  
... only ...  
... in the ...  
... That is ...

... the ...  
... that ...  
... a ...  
... It ...  
... and ...

(SECRET)

H-1-1 10.15 a.m.

R. D. Baker,  
Re. Ex. by Mr. Chambers.

- 2990 -

Q What I am putting to you is this, that in the event of the shareholders of those two companies, and they both want to sell at the same time, which company would get the most for its undertaking?

A "A" because it would have more assets.

Q THE CHAIRMAN: But is not that only a deferred payment of your dividends?

A If the companies come up for sale, "A" would be better than "B".

Q But that is only a deferred payment of your dividends?

A Yes, exactly.

Q MR. CHAMBERS: In other words, company "A" that has not paid out all its money in dividends, if that company sold out and the money divided among the shareholders, they are getting more in cash now because they have not taken it out as much in dividends earlier, and that is a fair way to put it, is it not?

A Yes.

Q THE CHAIRMAN: Or put the same problem in another way, if one company pays small dividends and creates large reserves, either in cash or by putting profits into additional assets, you get a capital addition, and you can sell the one and get your capital that way. It results in capital appreciation, does it not?

A Well, you will have to qualify that, I think, because marketability does not always exist, particularly, as you know, in small private companies.

Q Quite right.

MR. CHAMBERS: I do suggest, Sir, in view of some of the arbitrary provisions of the Income Tax Act that does not necessarily follow now. For instance, I have in mind the provision where the company makes the distribution of its



... ..  
... ..

...

At the ... ..  
... ..  
... ..

...

... ..

... ..

...

... ..

... ..

...

... ..

... ..

... ..

... ..

...

...

... ..

... ..

... ..

... ..

...

... ..

... ..

...

...

... ..

... ..

... ..

R. D. Baker,  
Re. Ex. by Mr. Chambers.

- 2991 -

surplus, or if the company has any surplus on hand, any distribution of its assets is presumed to be a dividend.

THE CHAIRMAN: That is right.

MR. CHAMBERS: What I am saying is this, if my property is to have a value on present day values I am entitled to have my rate of return fixed on present day earnings.

Q Mr. Baker, I suggest to you on the discussion that you have heard and we have had here just now, that it illustrates in concrete form the difference between net earnings and dividends, the implications are such that we have just illustrated, is that right?

A It what?

Q It illustrates the difference between net earnings and dividends of any one company, that I have illustrated to you, or rather that in the one company that I have illustrated to you the net earnings and the dividends were the same, and in the other the net earnings and the dividends were substantially different.

A Cash.

Q Yes, cash dividends I am talking about. Now, would you turn, Mr. Baker, for a moment to your report, Exhibit 106, the first report that you read yesterday, and in the first paragraph, which is the quotation from the Supreme Court of Canada, as I understand your evidence, it is this, that assuming that is the test, in your opinion applying what you understand by that test, this rate for the Madison Company should be  $9\frac{1}{2}$ , is that a fair way to put it?

A That is right.

Q Now then, am I right in this, that in your application of that definition you do not in your interpretation, whether you are right or wrong, you do not read into that or imply, just follow





R. D. Baker,  
Re. Ex. by Mr. Chambers.

- 2992 -

the wording:

"By a fair return is meant that the company will be allowed as large a return on the capital invested in its enterprise (which will be net to the company) as it would receive"

and then you do not read into it, as I understand it, "by way of cash dividend"?

A No, certainly not. I do not.

Q And probably that is some of the difference between us, but that is your view anyway, Mr. Baker, am I right in that?

A That has always been my view of it or I would not have used that definition.

Q And you say that by virtue of the Bank of Canada statistics the average net earnings for Canadian corporate industry is 9.04%, that is the first step.

A Yes.

Q And then, as I understand it, you say that the shareholders or that Madison itself, this particular company, Madison, is entitled to a net earning higher than 9.04, you say that?

A Exactly.

Q One of the reasons, as I understand it, for you saying why this Madison should have a net earning higher than the average, is Clause (d) on page 2 of your report, in which you say:

"Should the field peter out ahead of the estimated life, or adjacent fields as close or closer to Calgary develop such as Jumping Pound, a new and cheaper fuel developed, or social changes result in a shift in population, this company would lose justification for its continued operation."

You say that is one of the reasons why this company should have



CHAPTER I

THEORY OF

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

THEORY OF THE EARTH AND ITS HISTORY

R. D. Baker,  
Re ~~Ex~~ . by Mr. Chambers.

- 2993 -

a net earning higher than the average?

A That is right.

Q Yes. As I also understand you, you correct me if I am wrong, that that quotation from your report which I have just read, also leads you to your conclusion whereby in your opinion this business is not suitable to be financed by a bond issue, is that right?

A That is probably the major factor.

Q Now have you any other factors in mind?

A Well, as I say, marketability, finding buyers.

Q Let me put this to you - by the way, you know from the Press and from following the developments in the West, that various oil companies including the larger American oil companies, are engaged in exploration work for oil and gas in Alberta?

A Yes I know that.

Q Yes. Let me put this to you: Assume that at some period in the next few years, ten years from now, or five years from now, gas in sufficient quantities, natural gas, could be obtained at Jumping Pound or nearer to Calgary, or on the North Hill, outside of Calgary, as a result of which gas could be supplied to the citizens of Calgary at a rate lower, substantially lower, than this gas from the Madison system, and assume that the Calgary Gas Company said "We are not buying gas any more from Turner Valley," have you any idea.....

THE CHAIRMAN: I want you to put one other assumption as well, Mr. Chambers, if you please.

MR. CHAMBERS: Yes.

THE CHAIRMAN: And assuming that Royalite does not go to the Legislature for protection of its Turner Valley market or a share of it.





R. D. Baker,  
Re. Ex. by Mr. Chambers.

- 2994 -

MR. CHAMBERS: Now, Sir, that is not my assumption. If you want to put that to him, I submit you can do it, because I say that is an assumption that cannot enter. I mean, we may go to the Legislature, but what happens there, then you would have to assume that the Legislature does not protect us as well.

THE CHAIRMAN: Put that in as another element.

Q MR. CHAMBERS: Bur, Mr. Baker, as far as my question is concerned, and with deference, you can ignore the Legislature for a moment?

A Well can I?

Q Well, I am asking you for the purposes of my proposition to do that. Now, can you give me any idea what would be the value or the realizable value by Madison from its equipment down there in Turner Valley?

A I could not give you any idea of the value. I am not an engineer. But I would not like very much to have to take care of a fore-closed bond issue, as I said yesterday, because it would seem to me that you would be trying to sell a plant on a buyers' market and from what I learned of the hazards of this business, it would seem to be a pretty difficult thing to do. But as to the value I could not give you that.

Q That is all, Mr. Baker. Will you answer the members of the Board please?

MR. FENERTY: May I ask one question on this statement here?

THE CHAIRMAN: Yes.

MR. FENERTY: I do not want to take too long.

.....



100

R. D. Baker,  
Re-Cross.Exam.by Mr. Fenerty.

- 2995 -

RE-CROSS-EXAMINATION BY MR. FENERTY

Q Mr. Baker, dealing with this exhibit 107, the Statistical Summary of the Bank of Canada?

A Yes sir.

Q In the second group of figures under the heading "Use of Funds" we find, do we not, what actually becomes of the undistributed profits as well as the other income of the company, not included in net income, that is right?

A Yes.

Q And if you will look at the fourth column, in the first group, "Depreciation Charges" and compare them with the first column in the second group "Investment in Plant, Property & Equipment" you will find, will you not, that excepting the years 1936 and 1937, the amount invested in Plant, Property & Equipment falls very much below the depreciation charges. For instance, look at 1941, depreciation charges 174 - take '42 which seems to be the highest depreciation charges, 196, investment in Plant, Property & Equipment 128. Now, I quite realize that the depreciation charges may be said to be a bookkeeping entry, but in theory at least the result is, and assuming depreciation charges to be proper, that in six of those 8 years these companies on the average have not replaced the wear and tear on the plant?

A They have not.

(Go to Page 2996)



• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

• • • • •

T-2-1 10.30 A.M.

R.D. Baker,  
Cross-Exam. by Mr. Fenerty.

- 2996 -

Q That is right is it not?

A Well that was generally because they could not buy materials.

Q No, I am talking now not about inventories. I am talking about plant, property and equipment, that is right.

A Plant, property and equipment. You could not get materials to build up the plant.

Q I am not criticizing them as to why they did it but I am saying that they have paid dividends averaging 6.1%. For whatever reason there may be, perhaps because they could not buy materials, they have not taken care of the wear and tear. They have an analysis in the second column and they have not provided any fund out of which future dividends can be paid, have they? You see your allowances of everything.

A Well your depreciation account, what is that? What are they going to do with the funds they have built up in their depreciation account.

Q Look, "Use of funds". The total of these columns is equivalent to the total net source of earnings, 165 - 165.

A Yes.

Q That means in some way they have used up, in addition to their distributed profits by way of dividends, they have used up their undistributed profit, their depreciation charges and every other source of income in the way indicated in the second group, haven't they?

A No, depreciation is cash.

Q Would you look at it?

A I am looking at it. Depreciation is cash. What do you call it?

Q How do they use that depreciation allowance?

A As a reserve. They buy Victory Bonds with it.

Q As a what?





R. D. Baker,  
Cross-Exam. by Mr. Fenerty.

- 2997 -

A As a reserve, they buy Victory Bonds with it. That is why we sold so many bonds.

Q You have used it as set out in the column, haven't you? Let us take 1942. Their net income, 313. I will just use the figures there. They paid out dividends 210, that is right is it not? They have undistributed profits 103. Depreciation charges, 196 and so on. There is your total of funds from current income 307. Then they add three other small items, making a total of 319. Now in that year they also used that 319 didn't they. You see the figure 319 in the bottom in red in the second group. They used the whole of the 319, didn't they?

A It says that there.

Q Well you are backing up the Bank of Canada aren't you in this thing? They used the 319. How did they use it? Investment in plant, property and equipment - 128, investment in inventories - 29, investment in other companies - 3. Investment in refundable Excess Profits Tax - 20, redemption of Funded Debt -19, redemption of preferred stock - 1. Increase in working capital ex-inventories - 125. That is right, is it not? Is not that what happened?

A I am not challenging this. You just read it out. It must be right.

Q It must be right, yes. All right now then, the fact remains does it not that in each of those years except the first two, the companies, perhaps because of inability to get equipment, material and so on, have not replaced wear and tear. Just increased their capital on occasions, I think, an increase in working capital apart from inventory. Now it has provided more cash for working capital but you still have not got any funds there, have you, for payment of



... ..

...

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

R.D. Baker,  
Cross-Exam. by Mr. Fenerty.

- 2998 -

dividends? I mean they are not set aside for payment of dividends in the future.

A That unexpended portion of your net income, you must have it. Where has it gone?

Q It seems to me it has gone where these red figures are, has it not?

A Well I do not read it quite that way.

Q Well all right, let us leave it at the moment. Is that not what is happening throughout the years, that it does not matter what the income of these companies is the practical results are that dividends - I am not talking about capital gains at all, I am talking about dividends.

A What do you mean by dividends?

Q Dividends paid to shareholders.

A What do you mean by dividends?

Q Out of profits.

THE CHAIRMAN: In cash.

A In cash.

Q MR. FENERTY: Yes. I am not talking about any stock bonuses or stock splits or anything of that kind. I am talking about cash dividends, what they get as far as a return on their money is concerned by way of cash dividends and it works out at about 6.1% throughout the years.

A Yes.

Q What you really had in mind was the possibility of some stock splits or bonuses or capital gains with some of those companies.

A No, because they are not capital gains.

Q Just confine it to the one thing alone. As far as cash dividends are concerned it will work out with all of these



... ..  
... ..  
... ..

... ..  
... ..  
... ..  
... ..  
... ..  
... ..

... ..  
... ..  
... ..  
... ..  
... ..  
... ..

... ..  
... ..  
... ..  
... ..  
... ..  
... ..

... ..  
... ..  
... ..  
... ..  
... ..  
... ..

... ..  
... ..  
... ..  
... ..  
... ..  
... ..

... ..  
... ..  
... ..  
... ..  
... ..  
... ..

R.D.Baker,  
Cross-Exam. by Mr. Fenerty.

- 2999 -

companies, and the best organized companies, throughout the years at around 6%. That is what happens in cash dividends.

A That is right there, is it not?

Q And that is your experience is it not?

A Well is it there?

Q That is your experience. You are an investment man and you know just how these things work out.

A You are talking to me about this official publication of the Bank of Canada.

Q Yes.

A Well, I do not see any reason to challenge it. You keep asking me if those figures are right. I assume they are right. It is an official publication of the Bank of Canada. You read them all out and you say "is that right?" and I say "it is right".

Q We have this situation, you can expect cash dividends on investments of around 6% and whether or not you get capital appreciation depends on the future, whether or not the company is efficiently managed and has good luck or not or whether it makes losses. That is the situation is it not?

A I do not know what you are getting at.

Q What?

A I have not the faintest idea what you are getting at. If you will ask me questions I will answer them.

Q Does it matter to you what I am getting at?

A I hope it does. You have not yet asked me a question. Ask me a question.

Q I want a completely unbiased answer, no matter what I am getting at.

MR. CHAMBERS: I think the witness says "I do not understand your question " in fact.



1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

R. D. Baker,  
Cross-Exam. by Mr. Fenerty.

- 3000 -

THE CHAIRMAN: Repeat the question.

BY THE REPORTER READING:

Q. We have this situation, you can expect cash dividends on investments of around 6% and whether or not you get capital appreciation depends on the future, whether or not the company is efficiently managed and has good luck or not or whether it makes losses. That is the situation is it not?

Q MR. FENERTY: Let me try to be a little clearer. It is probably my fault, Mr. Baker. We have got to the point that companies get or that shareholders of companies get cash dividends of around 6%. We have got that far, haven't we?

A If that is in the record. If that is in the Bank of Canada record.

Q Well that is, you are a financial expert, what about yourself?

A Well I will not say they would average 6% or 8% or 9%. I am going by the record here. If it is there, it is right.

Q You see that does not include every company that perhaps you deal in does it?

A Well there are six hundred odd here.

Q Mr. Baker, what I am asking you now is apart from the Bank of Canada, as a financial expert and general manager of James Richardson's, with a large experience, would you say that apart from this group of six hundred odd companies, that an average of around 6% would be a very reasonable estimate of the cash dividends that could be expected from reasonably well managed companies. If you do not know we will forget it. If you do know, tell me.

A Apart from the Bank of Canada record which I go by, I do not



... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

R.D. Baker,  
Cross-Exam. by Mr. Fenerty.

- 3001 -

know.

Q You do not know?

A No.

Q You have no personal knowledge?

A No personal knowledge, no.

Q That is all right. Now to go back to what I was trying to talk about. We will assume for a moment that 6% for these particular companies anyhow is what it pays, because we have a record, then I say that if the cash dividends are approximately 6% - and that is the record of the companies - the hope of the shareholders of making anything more than 6% dividend is in a capital appreciation with the resulting increase in the sale price of the stock of the company, is that right?

A No, it is not.

Q That, then, plus a stock dividend.

A No.

Q What other source?

A The shareholder owns the balance between what you say, 6.1 and 9.04. That is the shareholder's money.

Q And is invested in the company's undertaking in other securities.

A It might be invested in any manner.

Q Yes, but we will come back to the Bank of Canada which has been invested in increase in working capital, inventories and other securities has it not? Let us get the actual facts,

A All right, according to the record, yes.

Q Whether or not a shareholder ever gets any portion of that depends on whether or not the company operates in the future at a loss or at a profit.



...the ... ..

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

# I N D E X

## VOLUME 39

14th September, 1945.

## W I T N E S S E S

### R. D. BAKER (Continued)

	<u>Page</u>
Cross-Examination by Mr. McDonald.....	2973
Re-Examination by Mr. Chambers.....	2984
Cross-Examination by Mr. Fenerty.....	2995
Cross-Examination by Mr. Blanchard.....	3002
Cross-Examination by Dr. Boomer.....	3007
Cross-Examination by The Chairman.....	3012

### ROBERT DONELLAN (Continued)

Direct Examination by Mr. Harvie.....	3016
Cross-Examination by Mr. Steer.....	3045

## E X H I B I T S

### No.

112	"Financial Post" - December 16th, 1944.....	2974
102A	Letter of Transmittal of Volume 2, February 15th, 1945 and Supplement 1 to Volume 2....	3017
113	British American Oil Company's Submission Volume 3.....	3035
113A	British American Oil Company's Supplement to Volume 3.....	3035
113B	British American Gas Utilities Limited Estimated Costs, May 22nd, 1945 (Volume 5).....	3041

: : : :



Figure 1 is a line graph showing the percentage of total catch versus the number of hauls for various fish species. The x-axis is labeled 'Number of hauls' and ranges from 0 to 10. The y-axis is labeled 'Percentage of total catch' and ranges from 0 to 100. The legend indicates: 1. Blue line with circles for 'Total catch', 2. Red line with squares for 'M. undulatus', 3. Green line with triangles for 'M. punctatus', 4. Yellow line with diamonds for 'M. lineatus', 5. Purple line with crosses for 'M. punctatus', 6. Brown line with asterisks for 'M. punctatus', 7. Grey line with pluses for 'M. punctatus', 8. Black line with dots for 'M. punctatus', 9. White line with crosses for 'M. punctatus', 10. White line with dots for 'M. punctatus'. The 'Total catch' line starts at 100% at 1 haul and decreases to near 0% by 10 hauls. The other lines represent individual species and show varying trends, with some species like 'M. punctatus' showing a peak in catch percentage around 5 hauls.

R. D. Baker,  
Cross-Exam. by Mr. Fenerty.  
Cross-Exam. by Mr. Blanchard.

- 3002 -

A That is right.

Q Now all right, so that whether the shareholder ever gets more than 6% on his investment is in the lap of the gods.

A Not necessarily at all.

Q Not necessarily, no.

A No.

Q Well if the company . . . . .

A They might liquidate the company. They might liquidate the company and pay him his 3.3.

Q Yes, exactly.

A Yes.

Q A company might liquidate before it makes further losses. It might continue and make large gains.

A Yes.

Q Anything of that nature. But I say the distribution to the shareholder by way of stock dividends, return on capital or undistributed profits, whether it is invested in other sources, depends on the future and how the company operates.

A That is right.

Q Nobody knows what will happen to any company.

A Well I don't.

CROSS-EXAMINATION OF THE SAME WITNESS BY MR. BLANCHARD

Q May I ask another question, sir? If on an examination of the operations of the 678 companies on page 11 of Exhibit 107, you had found that the net earnings of these companies was 5% instead of 9.04%, what would have been your recommendation as to the rate of return that Madison should receive.

A Well I think perhaps I had better tell you how that was arrived at.

Q Well I think you have set it out in your brief.





R.D. Baker,  
Cross-Exam. by Mr. Blanchard.

- 3003 -

A I did the sequence first. Before getting these figures from Ottawa, I built up that sequence, before I got those figures from Ottawa.

Q Does the 9.04% net earnings as shown on the Bank of Canada report affect your judgment as to rate of return at all that should be paid to Madison or does it not?

A It affects my judgment greatly because if the average commercial earnings of companies that are included in that list is 9.04, my judgment must be very largely based on the performance of industry as a whole.

Q And if the answer had been in the Bank of Canada statistics that the net earnings, instead of 9.4, were 5%, would not that mean that you would reduce the amount of return you recommend?

A Oh certainly.

(Go to page 3004)





C-2-1 - 10.45 A.M.

R. D. Baker,  
Cross-Exam. by Mr. Blanchard.

- 3004 -

Q Yes, certainly that is what I am trying to get at; now then you have said that this is not, this financial set-up of Madison is not such as to be reasonably the subject of a bond issue; now assuming that the capital is being raised to put in this gathering system and the whole installation necessary to deliver gas to Madison and keeping in mind throughout this that Madison is purely a transportation company, you understand that, it is purely a transportation company, - now then do you say that in the initial financing scheme, assuming that you are going to build this new, that it would not be a proper, that financing by a bond issue or let us say half of the money required, would be improper ?

A Definitely in my judgment it would not be <sup>proper</sup> but that need not be a complete answer. I am not suggesting that it could not be done.

Q No. Now you say that some of the reasons for that or one of the reasons is the uncertainty of the future, one of the reasons ?

A That is one reason.

Q And you say that should the field peter out ahead of the estimated life, now I think you mentioned yesterday before you recommend a gold mine you have your engineers look into it?

A Yes.

Q Now this Board has had eminent engineers looking this and this Board has had engineering advice upon which it may reasonably come to a conclusion that there is a minimum of so much recoverable, marketable gas, so possibly we can eliminate that; in other words this Board has taken the same precautions that you, as an investment broker, take in connection with the mining industry;





R. D. Baker,  
Cross-Exam. by Mr. Blanchard.

- 3005 -

Now the next: that adjacent fields as close or closer to Calgary may develop, such as Jumping Pound; you realise that in order to make Jumping Pound gas available to Calgary it would mean the installation of pipe lines, gathering lines and all the other installations necessary to delivering dry gas to the city of Calgary, have you any idea of whether, for instance, from Jumping Pound it could be done any cheaper than the existing installed, installed gathering system, a great deal of which is already subject to an accrued depreciation, have you any engineering advice on that ?

A No, no, but I have been told.

Q Or the Princess field ?

A Yes, we have been advised that it would be possible.

Q It is possible ?

A Yes.

Q Now you speak of a new and cheaper fuel being developed, you are not thinking of the atomic energy I suppose ?

A No, I think I wrote that before the atomic bomb and I did not have any advance information on it.

Q Has it occurred to you that new uses may be found for natural gas which will put its price up considerably ?

A I think, Mr. Blanchard, you are talking about something now that I would take advice on, I do not even know.

Q No, but you have given reasons and I ask you if you have taken other things into consideration ?

A Well that was the situation as I was advised on and certainly quite apart from those reasons there and other reasons, - certainly we would insist on other things generally speaking. There are others which might or might not do it, I do not know, I cannot answer for them.





R. D. Baker,  
Cross-Exam. by Mr. Blanchard.

- 3006 -

Q You mentioned social changes which might have the effect of creating a shift in population ?

A Yes.

Q Well that would be injurious to a great many other types of shares, the Canadian Pacific Railway for instance, would it not, Canada Cement - -

A Oh yes.

Q A tremendous lot of these 678 companies would be affected by a shift in population ?

A Unless the C. P. R. built a better town at Okotoks or something like that.

Q Do you know that there are a thousand new houses in the course of construction in Calgary today.?

A I am glad to hear it, you certainly need it.

Q Yes, we do. Now I just want to put one other thing to you, from an investing banker's standpoint, an investors banker's standpoint, there are two main considerations as affecting his opinion of the value of a security, first, the assurance that there will not be loss of capital or undue depreciation in capital, and the second is, its earning power, those are the two things, are they not ?

A Yes.

Q Now then in industry you have the hazard of loss of markets through tariffs, competition, technological changes and so on, that is true is it not ?

A That is true.

Q Now in Madison, what hazards have you, just those you have mentioned ?

A Yes, just exactly as I have put it there.

Q All right. Now then its earning powers, here you have a market



• • •

80

... 1500

[illegible]

R. D. Baker,  
Cross-Exam. by Mr. Blanchard.  
Exam. by Dr. Boomer.

- 3007 -

that cannot be affected by tariff, although it might be shared at some time by competitors, that is the situation is it not ?

A Would you repeat that ?

Q I say that here you have a market that cannot be affected by tariffs, - it may be shared by others as a result of other fields coming in, - now then having regard to all those things and the hazards which relate to other companies, would you not say that Madison was a fairly desirable security for someone to hold ?

A No I cannot change my mind on that.

MR. BLANCHARD: All right. I do not think there is anything else, thank you very much.

Q DR. BOOMER: Mr. Baker, do you think that the Canadian Western Natural Gas Light, Heat & Power Company securities are desirable ?

A I have never thought so.

Q Do you know ?

A But I am learning a lot more about it.

Q Do you know what the 6% preferred are worth ?

A Oh well, probably around the call price.

Q No, they are quoted at a premium, if you can find them; how about North Western Utilities in Edmonton, do you know anything about them ?

A Yes, a little.

Q Do you know what their securities are worth, whether at a premium or less than par ?

A Oh they would be at a premium too.

Q Do you know what the 4½% bonds are, 1959 ?

A 4½%, you say around 1959, are they around 4½ and 5.



... ..  
... ..  
... ..

...

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

R. D. Baker,  
Exam. by Dr. Boomer.

- 3008 -

MR. HARVIE: I cannot hear, I am sorry.

Q DR. BOOMER: The North Western Utilities own a gas field and pipe line and distribution system in the City of Edmonton, They have only the one gas field - -

MR. CHAMBERS: They have only the one what ?

Q DR. BOOMER: Essentially only one gas field, the Viking-Consolidated which is 120 miles from Edmonton roughly; the life of the field as far as Edmonton is concerned, the source of supply for Edmonton, is probably <sup>greater</sup> than the life of Turner Valley so far as the Calgary market is concerned; it is not impossible that other sources of gas may be discovered closer to Edmonton than the Viking Consolidated; the risk of that happening is of the same order as the risk of it happening in Calgary; if we turn to Canadian Western Natural Gas they own, with due deference to Mr. Steer, negligible quantities of natural gas.

MR. STEER: And North Western owns all its natural gas.

Q DR. BOOMER: I put that in before, Mr. Steer. I should say that Viking Consolidated is some 200 odd miles from here ?

A From here.

Q From here, but it is only 120 miles from Edmonton ?

A Oh I see.

Q Canadian Western depends upon buying gas from Madison and at the moment - -

A Would you mind repeating that, they buy from Madison ?

Q Canadian Western buys gas, natural gas from Madison Natural Gas, and I think always will..

MR. CHAMBERS: Is that hearsay ?

DR. BOOMER: I will put it this way, they will always use Turner Valley gas so long as such gas is available and, as has been pointed out to you, Madison has a monopoly in Turner



1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

1000

R. D. Baker,  
Exam. by Dr. Boomer.

- 3009 -

Valley on the sources of supply, substantially a monopoly, - will you express an opinion as to the relative risks in the securities of Madison, Canadian Western and North Western Utilities ?

A No. I would if I had an opportunity of examining them and comparing the relative values but I have not had an opportunity of doing that. I may say that the opinion I have expressed is based on engineering advices which I received. Now if, as you say, the situation is just as you have put it, it might be quite interesting to look into the three of them to see what the relative values are but I do not know them.

Q Supposing I told you or let us assume that the risk of Madison losing its source of supply and its market is no different from the risk of Canadian Western losing its source of supply or its market, and bearing in mind that one is a transportation and distributing company and the other is a transportation and processing company, would there be any difference in the risk of an investment in the two companies ?

A Well assuming that you know what you are talking about - -

Q We will assume that the risk is the same.

A And putting it the way you have it is conceivable that I might change my opinion after investigating the situation as you pointed it out, and the Madison situation, quite conceivable that I could change my opinion as to the hazards. The hazard is, - the only explanation of my opinion is right there and I have given you my reasons for putting it that way.

Q Your opinion therefore is based upon information given to you by your own engineers ?

A Yes.

Q It is not based on the engineering reports that have been placed



[illegible]

100

R. D. Baker,  
Exam. by Dr. Boomer

- 3010 -

before this Board ?

A Well, oh, that is possible, I would not know, yes.

Q Your engineer may have had access to all the engineering information which has been at our disposal ?

A Well he may have or he may not have.

Q Is he experienced in the gas business ?

A No, he may know something about it but he is not a petroleum engineer.

( Go to Page 3011 )



100-100

100-100

100-100

100-100

100-100

100-100

100-100

100-100

100-100

100-100

100-100

100-100

100-100

M-2-1 - 11 A.M.

R. D. Baker,  
Exam. by The Board.

- 3011 -

Q Mr. McDonald put before you a hypothetical operation whereby Royalite bought a thousand dollars in each of 678 companies in Canada and I believe you told Mr. McDonald they would get, the Royalite would get, 9.04% on that \$678,000.00 if they bought \$1,000.00 each of these 678 companies ?

A And he said, provided they paid out all their net earnings.

Q Well is it not also true -

A Did you not also say that Mr. McDonald ?

MR. McDONALD: Yes, that is right.

Q DR. BOOMER: Is it not also true that there is an assumption that Royalite could buy a thousand dollars worth of book values in each of those companies for \$1,000.00 cash ?

A Will you repeat that please ?

Q These companies paid 9.04 on their book value. In order for Royalite to get that for the \$678,000.00 they would have to be able to buy in the open market \$1,000.00 book value for \$1,000.00 cash ?

A I am afraid I do not follow you. Could you put it another way.

Q What price would they have to pay <sup>for</sup> \$1,000.00 worth of book value in the average of these 678 companies ?

A I cannot answer that. I have never seen it tried.

Q Would it be greater or less than \$1,000.00 ?

A Well I will leave that to you. I have never seen the operation tried. I have never heard of the operation.

Q What is the relation of book value to the market value of securities ?

A There is no true relationship, it varies.

Q What is the average for those 678 companies ?

A I did not figure it out.





R. D. Baker,  
Exam. by The Board.

- 3012 -

Q Would it be two to one ?

A I can give you instances of six to one, seven to one.

Q THE CHAIRMAN: What is the controlling factor. The dividend is it not with relation to the price of money ?

A That varies considerably also.

Q But it is the controlling factor is it not ?

A The amount of money they pay out by way of cash dividends certainly.

Q DR. BOOMER: In Exhibit 110, this is your submission. You set forth the analogy of Royalite acting as a banker. You suggest that the banking service that Royalite will give is both purchasing agent and custodian for the consumer ?

A That is right.

Q As a banker could Royalite also not act as safety vault for the producer ?

A Yes sir.

Q It is equally possible that Royalite might store the producers' gas until a market becomes available and charge the producer rent for those storage facilities ?

A That is I understand the idea that they handle the producer as well as their own and look after the consumer.

Q No, Royalite in this proposition pay the producer, but I am suggesting they do not pay the producer but offer storage facilities to the producer so the producer retains title just as you retain title to the stocks and bonds you put in your safety deposit box and you pay rent for the privilege ?

A That is a matter for Royalite to decide.

Q Royalite and the producer. Did you give any thought to that in preparing this ? ?

A No, frankly I did not.



[illegible]

— 1 —

THE UNIVERSITY OF CHICAGO PRESS

and give him no more trouble. 1997

• VIII 1700

January 27, 1968

• *Journal of the American Medical Association*, 1990; 263: 1001-1005.

R. D. Baker,  
Exam. by The Board.

- 3013 -

Q You approached the problem purely from the proposition that Royalite buy and sell that gas ?

A Purely. I was not advised of any alternative.

Q THE CHAIRMAN: Mr. Baker, Mr. McDonald asked you a question and you felt you were not qualified to answer it. I am going to reduce it to a simple arithmetic problem. Assume a company had a book value, having a book value on the 31st December 1942 of \$1,000.00, simple figures, earning 9% per annum on that book value of \$1,000.00 ?

A Yes.

Q On the 1st of January that Company is declared to be and becomes a public utility. It invites a Board to value its property on the basis of reproduction new less observed depreciation and the resultant figure is \$2,000.00 because of the book value having gone down through depreciation, the valuation figure having gone up through inflated values, then the Board is invited to allow that Company 9% per annum on its valuation. That represents an income of \$180.00 or 18% per annum on its book value. Now it was declared to be a public utility in the public interest. Would any Board be justified in allowing such a rate ?

A Well putting it that way I would say no.

Q Now let me put the converse to you. Again assume a book value of \$1,000.00, but this valuation was made shall we say in 1933 when we had severe deflation. The resultant value is \$500.00 and the Board allowed them 9% per annum. Their income would be \$45.00 or 4.5% on their book value. I think you would say that would not be fair either, would you ?

A Well if you say that this \$1,000.00 you speak of, if that



... ..  
... ..

1112

R. D. Baker,  
Exam. by The Board.

- 3014 -

is the true comparison, and there is no qualification of it that takes place just like that without services and without at all contributing factors as you say just in cold figures, it does strike me as being something that might be challenged.

Q That is right. Then go back to my original example. The public are not only paying 18% on book value but they are also paying in their service charge depreciation on \$1,000.00 of inflation caused by a rise in prices. I am leading to something else, Mr. Baker, and I am sure you will agree that is not altogether fair.

A Well Mr. Chairman, is it fair for me to say that you are talking now of an accounting set-up and it is an accounting set-up which may have justifiable entries that may seem minor factors in arriving at the answer and yet are very important.

Q That is quite true.

A When you ask me that, I am not an accountant.

Q I quite agree with what you are saying and it leads me to my last question. When you are attempting to fix a rate of return for a public utility is it not the case that you cannot, no one can, express a dogmatic view of nine, or eight, seven, six or five, but that there are many, many factors to be taken into consideration before you can reach a just conclusion. Would you agree with me on that ?

A I most decidedly would agree with you, most decidedly.

Q Thank you very much Mr. Baker.

Q MR. CHAMBERS: May I ask one question arising out of that ?

THE CHAIRMAN: Yes.

Q MR. CHAMBERS: Assuming Mr. Baker, that this property



Wm. J. ...  
...

- 11 -

... in the ...  
... the ...  
... of ...  
... the ...  
... public ...  
... the ...  
... of ...  
... not ...  
... is not ...

... Mr. ...  
... of ...  
... not ...  
... minor ...  
... incident ...

... that ...  
... when ...

... I ...  
... that ...  
... from ...  
... no ...  
... will ...  
... from ...  
... the ...

... I ...  
... the ...

... : ...  
... : ...  
... : ...

R. D. Baker,  
Exam. by The Board.

- 3015 -

that we are talking about instead of being devoted to the public service by reason of this Act which has just passed, that it was expropriated, taken away, say the Government was going to run it and passed an Act expropriating it, and the Royalite Company or the Madison Company or whoever owned it was able to induce the Board or the Court that the fair value of that property was its reproduction cost new at present day prices, less depreciation and the Government paid that money to Madison or to Royalite whichever was the owner. Am I right in this that that money would earn in business throughout Canada 9.04% on the average. Is that a fair conclusion ?

A In their own business.

Q Assuming that they were representing business ?

A If that money were paid back into the company they should be capable of earning 9.04%. That is my argument.

(At this time a short adjournment was taken)

MR. HARVIE: We are ready with Mr. Donellan.

Mr. Chairman, our submission in Volume 2, Capital Expenditures and Appraised Valuations, dated February 15th, 1945, has been filed with the Board for some time and has already been marked as Exhibit 102 in Mr. Teis' evidence. He dealt with only from Page 30 to completion. Mr. Donellan will now present the balance of the report. I might just point out at this stage that the figures obtained in this report included a great many estimates such as feet of piping, as at that time 15th February. We later filed a Supplement, Volume 1 and 2 to Volume 2 which brought those figures up to date.





Robert Donellan,  
Exam. by Mr. Harvie.

- 3016 -

THE CHAIRMAN: That is dated 15th April 1945 ?

MR. HARVIE: Yes sir, with the result that there is a lot from Volume 2 that has to be discarded.

ROBERT DONELLAN, (already sworn) examined  
by Mr. Harvie, testified:

Q If you will be good enough, Mr. Donellan, you have been sworn and given your qualifications, proceed by reading your submission in Volume 2, Exhibit 102.

A Volume 2, February 15th, 1945, Statement of Capital Expenditures and Appraised Valuations and Working Capital. Introduction.

THE CHAIRMAN: Exhibit 102 ?

MR. CHAMBERS: I do not appear to have it in my copy.

MR. HARVIE: We filed an introductory letter to the Board which has not been completely distributed. I will see that you get that. I do not know whether the Board has a copy of this Exhibit.

THE CHAIRMAN: Oh yes I have had copies for my file of the letter of transmittal.

MR. HARVIE: I have taken a copy for the Court Reporters and given them a copy.

( Go to Page 3017 )



Section 10 of the  
Act of 1906

- 10 -

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Section 10 of the Act of 1906

Robert Donellan,  
Dir. Exam. by Mr. Harvie. - 3017 -

MR. BLANCHARD: Is this now part of Exhibit 102?

THE CHAIRMAN: I have not arranged that yet, Mr. Blanchard. Do you want to make your supplement a part of Exhibit 102, Mr. Harvie?

MR. HARVIE: I think it will simplify it, Exhibit 102A or part of 102.

THE CHAIRMAN: We will call it 102A.

MR. HARVIE: It will make it easier to identify.

THE CHAIRMAN: Just let us clear it up, Mr. Harvie.

That which we are about to call 102A, I take it, contains all that you intend to use of 102 plus certain additions being matters brought down to date.

MR. HARVIE: Supplement 1 to Volume 2, brings it up to date, all the information contained in 102.

THE CHAIRMAN: And some of 102 will be discarded.

MR. HARVIE: Yes.

MR. CHAMBERS: And you are calling it Exhibit 102A?

THE CHAIRMAN: Yes, Exhibit 102A.

LETTER OF TRANSMITTAL OF VOLUME 2, FEBRUARY 15th, 1945, STATEMENT OF CAPITAL EXPENDITURES, APPRAISAL VALUATIONS AND WORKING CAPITAL and SUPPLEMENT NO. 1 to VOLUME 2, dated APRIL 15th, 1945, SUMMARY OF CAPITAL EXPENDITURES AND APPRAISED VALUATIONS NOW MARKED AS EXHIBIT 102-A.

THE CHAIRMAN: All right, Mr. Donellan.

INTRODUCTION:

The following introductory comments are submitted in connection with the several statements contained herein, being Volume 2, submitted to the Natural Gas Utilities Board. The statements include the valuation of plant and equipment built for, or to be transferred to, the British American Gas Utilities Limited under the following three categories:-



*Journal of Management Studies*, 19(6), 709-728.

[illegible]

Robert Donellan,  
Dir. Exam. by Mr. Harvie.

- 3018 -

- (a) Capital Expenditures.
- (b) Appraised Valuations.
- (c) Working Capital.

The summary on Page 1 shows a total value of \$893,121.07 for pipe lines, plant, equipment, etc. and consists of:-

- (a) Actual expenditures to February 15th, 1945, as shown on Schedule "A".

That, I might say, is page 2, to facilitate reference.

- (b) Estimated items of work in process and known future expenditures as of February 15th, as shown on Schedule "B".

Schedule "B" will be found on page 13.

At the time of preparing the statements construction was not completed. Those items which had been finalized are shown on Schedule "A" and work in process was included in Schedule "B".

In connection with the particular items:

- |  |              |
|--|--------------|
| (1) Low pressure gas gathering and discharge lines to field compressor station | \$127,110.79 |
| (2) Low pressure gas field compressor station                                  | 143,484.88   |
| (3) High pressure line from absorption Plant to Madison Scrubbing Plant        | 213,740.90   |
| (4) High pressure station and repressure system                                | 219,399.71   |

These items represent the cost of constructing plant and equipment authorized under Order No. 1, issued by the Natural Gas Utilities Board, 19th June, 1944, and subsequent additions. An analysis of the various items covered by the above amounts is given on detailed Schedules, Pages 2 to 23 inclusive.

These supporting schedules show a breakdown of the major items of expense, i.e., cost of pipe, cost of laying pipe,



107  
111

- 10 -

111 111 111

111 111 111

111 111 111

111 111 111 111 111 111 111 111 111 111

111 111 111

111 111 111

111 111 111 111 111 111

111 111 111 111

111 111 111 111 111 111 111 111

111 111 111 111

111 111 111 111 111 111 111 111 111 111

111 111 111 111 111 111 111 111 111 111

111 111 111 111 111 111 111 111 111 111

111 111 111 111 111 111 111 111 111 111

111 111 111 111

111 111 111 111 111 111 111 111

111 111 111 111 111 111 111 111 111 111

111 111 111 111 111 111 111 111 111 111

111 111 111 111 111 111 111 111 111 111

111 111 111 111

111 111 111 111

111 111 111 111

111 111 111 111 111 111 111 111 111 111

111 111 111 111

111 111 111 111

111 111 111 111

111 111 111 111

111 111 111 111

111 111 111 111 111 111 111 111 111 111

Robert Donellan,  
Dir.Exam. by Mr. Harvie.

- 3019 -

meters, compressors, etc. Most of the items are self-explanatory but one or two call for special comment, namely:-

Freight, Duty and Cartage:

These are the cost of these various items of expense applicable to the material shown on each schedule. In connection with this cost, submission was made to the Department of National Revenue and advantage taken to bring importation of equipment under the Wartime Regulations as a result of which refunds of duty, war exchange tax and sales tax were secured in the amount of \$72,143.60.

Payrolls:

The amount for Payroll shows the actual direct charges for labour incurred in connection with the items shown on the schedule concerned.

I might interject that is British American Oil Company payrolls only. It does not include any payroll labour of contractors or subcontractors.

Field Supervision Expense:

This item covers expenses only of the Field Supervisors directly concerned with the particular item involved.

Engineer's Expenses:

Statements when prepared showed a classification "Engineer's Expenses." This is incorrect terminology. The item actually covers Construction Foreman's Expenses, that is, the expenses of the Foreman who was employed solely for supervising the construction work.

We thought it better to give the over-all correction than to attempt to go through a detailed statement.



[illegible]

- 250 -

Figure 1. The effect of the concentration of the *Agrobacterium* suspension on the transformation efficiency of *Agrobacterium* strains. The *Agrobacterium* strains were grown in the YEA medium for 24 h at 28°C. The cell concentration of the *Agrobacterium* suspension was adjusted to 10<sup>8</sup> cells/ml. The *Agrobacterium* suspension was then mixed with the plant tissue and the transformation efficiency was determined. The results are shown in Table 1.

• 21. 2007. 05

- Definition: A linear transformation from  $V$  to  $W$  is a function  $T: V \rightarrow W$  such that:

Robert Donellan.  
Dir. Ex. by Mr. Harvie.

- 3020 -

General Administration 10%:

In each schedule there has been an addition of an over-all charge of 10% representing the charge made by The British American Oil Company Limited for services in connection with the project. These services cover the purchasing of supplies and material, legal, accounting and audit services, and a proportionate part of the Company's general overhead expenditure. This over-all charge of 10% is in accordance with the Company's policy with regard to similar projects where construction work is undertaken and is a normal and proper charge to construction costs.

Automotive Equipment \$4,041.99:

Used in the Utilities operation are three trucks and a trailer which are being transferred to the Utilities Company at cost less depreciation as indicated on Page 24.

Office Equipment \$747.30:

The schedule on Page 25 gives details of the cost of additional office equipment purchased for the use of the Utilities Company to be transferred.

This is additional equipment which had to be purchased for full time use of the Utilities staff.

Water System \$30,050.23:

Pages 26 and 27 give the basis of valuation at which this equipment is to be transferred to the British American Gas Utilities Company. The same principle of valuation was followed for this asset as used in the valuation





Robert Donellan,  
Dir.Ex. by Mr. Harvie.

- 3021 -

of the gas gathering system. It was built up from the records in the books of The British American Oil Company. It follows the same principle of depreciation used in Mr. Teis' Report.

Existing Gas Gathering Lines \$154,545.27:

This item represents the value of the gas gathering lines actually installed which The British American Oil Company Limited is transferring to the British American Gas Utilities Limited. In order to determine a fair and proper valuation for these lines Mr. K. R. Teis made an appraisal on the basis of replacement cost less observed depreciation of the equipment. A copy of Mr. Teis' Report and his summarized schedules are included on Pages 28 to 40.

I might mention for all concerned that a gap was left there. There is no Page 40. Do not think there is a mistake about it. We got our wires crossed when figuring out the pages that

Mr. Teis' Report was going to occupy. It is not an error. Then follows the summary on Page 1, and the following are detailed schedules, and with your permission I propose to go to Supplement 1 of Volume 2.

THE CHAIRMAN: That is part of Exhibit 102A?

A Yes.

THE CHAIRMAN: All right.

A INTRODUCTION:

The following introductory remarks are presented herewith with regard to statements contained in Supplement 1 of Volume 2.

At the time of filing Volume 2 certain work was

101. 2  
102. 3  
103. 4

- 104 -

105. 5  
106. 6  
107. 7  
108. 8  
109. 9  
110. 10  
111. 11  
112. 12  
113. 13  
114. 14  
115. 15  
116. 16  
117. 17  
118. 18  
119. 19  
120. 20  
121. 21  
122. 22  
123. 23  
124. 24  
125. 25  
126. 26  
127. 27  
128. 28  
129. 29  
130. 30  
131. 31  
132. 32  
133. 33  
134. 34  
135. 35  
136. 36  
137. 37  
138. 38  
139. 39  
140. 40  
141. 41  
142. 42  
143. 43  
144. 44  
145. 45  
146. 46  
147. 47  
148. 48  
149. 49  
150. 50  
151. 51  
152. 52  
153. 53  
154. 54  
155. 55  
156. 56  
157. 57  
158. 58  
159. 59  
160. 60  
161. 61  
162. 62  
163. 63  
164. 64  
165. 65  
166. 66  
167. 67  
168. 68  
169. 69  
170. 70  
171. 71  
172. 72  
173. 73  
174. 74  
175. 75  
176. 76  
177. 77  
178. 78  
179. 79  
180. 80  
181. 81  
182. 82  
183. 83  
184. 84  
185. 85  
186. 86  
187. 87  
188. 88  
189. 89  
190. 90  
191. 91  
192. 92  
193. 93  
194. 94  
195. 95  
196. 96  
197. 97  
198. 98  
199. 99  
200. 100

101. 2

102. 3  
103. 4  
104. 5  
105. 6  
106. 7  
107. 8  
108. 9  
109. 10  
110. 11  
111. 12  
112. 13  
113. 14  
114. 15  
115. 16  
116. 17  
117. 18  
118. 19  
119. 20  
120. 21  
121. 22  
122. 23  
123. 24  
124. 25  
125. 26  
126. 27  
127. 28  
128. 29  
129. 30  
130. 31  
131. 32  
132. 33  
133. 34  
134. 35  
135. 36  
136. 37  
137. 38  
138. 39  
139. 40  
140. 41  
141. 42  
142. 43  
143. 44  
144. 45  
145. 46  
146. 47  
147. 48  
148. 49  
149. 50  
150. 51  
151. 52  
152. 53  
153. 54  
154. 55  
155. 56  
156. 57  
157. 58  
158. 59  
159. 60  
160. 61  
161. 62  
162. 63  
163. 64  
164. 65  
165. 66  
166. 67  
167. 68  
168. 69  
169. 70  
170. 71  
171. 72  
172. 73  
173. 74  
174. 75  
175. 76  
176. 77  
177. 78  
178. 79  
179. 80  
180. 81  
181. 82  
182. 83  
183. 84  
184. 85  
185. 86  
186. 87  
187. 88  
188. 89  
189. 90  
190. 91  
191. 92  
192. 93  
193. 94  
194. 95  
195. 96  
196. 97  
197. 98  
198. 99  
199. 100  
200. 101  
201. 102  
202. 103  
203. 104  
204. 105  
205. 106  
206. 107  
207. 108  
208. 109  
209. 110  
210. 111  
211. 112  
212. 113  
213. 114  
214. 115  
215. 116  
216. 117  
217. 118  
218. 119  
219. 120  
220. 121  
221. 122  
222. 123  
223. 124  
224. 125  
225. 126  
226. 127  
227. 128  
228. 129  
229. 130  
230. 131  
231. 132  
232. 133  
233. 134  
234. 135  
235. 136  
236. 137  
237. 138  
238. 139  
239. 140  
240. 141  
241. 142  
242. 143  
243. 144  
244. 145  
245. 146  
246. 147  
247. 148  
248. 149  
249. 150  
250. 151  
251. 152  
252. 153  
253. 154  
254. 155  
255. 156  
256. 157  
257. 158  
258. 159  
259. 160  
260. 161  
261. 162  
262. 163  
263. 164  
264. 165  
265. 166  
266. 167  
267. 168  
268. 169  
269. 170  
270. 171  
271. 172  
272. 173  
273. 174  
274. 175  
275. 176  
276. 177  
277. 178  
278. 179  
279. 180  
280. 181  
281. 182  
282. 183  
283. 184  
284. 185  
285. 186  
286. 187  
287. 188  
288. 189  
289. 190  
290. 191  
291. 192  
292. 193  
293. 194  
294. 195  
295. 196  
296. 197  
297. 198  
298. 199  
299. 200  
300. 201  
301. 202  
302. 203  
303. 204  
304. 205  
305. 206  
306. 207  
307. 208  
308. 209  
309. 210  
310. 211  
311. 212  
312. 213  
313. 214  
314. 215  
315. 216  
316. 217  
317. 218  
318. 219  
319. 220  
320. 221  
321. 222  
322. 223  
323. 224  
324. 225  
325. 226  
326. 227  
327. 228  
328. 229  
329. 230  
330. 231  
331. 232  
332. 233  
333. 234  
334. 235  
335. 236  
336. 237  
337. 238  
338. 239  
339. 240  
340. 241  
341. 242  
342. 243  
343. 244  
344. 245  
345. 246  
346. 247  
347. 248  
348. 249  
349. 250  
350. 251  
351. 252  
352. 253  
353. 254  
354. 255  
355. 256  
356. 257  
357. 258  
358. 259  
359. 260  
360. 261  
361. 262  
362. 263  
363. 264  
364. 265  
365. 266  
366. 267  
367. 268  
368. 269  
369. 270  
370. 271  
371. 272  
372. 273  
373. 274  
374. 275  
375. 276  
376. 277  
377. 278  
378. 279  
379. 280  
380. 281  
381. 282  
382. 283  
383. 284  
384. 285  
385. 286  
386. 287  
387. 288  
388. 289  
389. 290  
390. 291  
391. 292  
392. 293  
393. 294  
394. 295  
395. 296  
396. 297  
397. 298  
398. 299  
399. 300  
400. 301  
401. 302  
402. 303  
403. 304  
404. 305  
405. 306  
406. 307  
407. 308  
408. 309  
409. 310  
410. 311  
411. 312  
412. 313  
413. 314  
414. 315  
415. 316  
416. 317  
417. 318  
418. 319  
419. 320  
420. 321  
421. 322  
422. 323  
423. 324  
424. 325  
425. 326  
426. 327  
427. 328  
428. 329  
429. 330  
430. 331  
431. 332  
432. 333  
433. 334  
434. 335  
435. 336  
436. 337  
437. 338  
438. 339  
439. 340  
440. 341  
441. 342  
442. 343  
443. 344  
444. 345  
445. 346  
446. 347  
447. 348  
448. 349  
449. 350  
450. 351  
451. 352  
452. 353  
453. 354  
454. 355  
455. 356  
456. 357  
457. 358  
458. 359  
459. 360  
460. 361  
461. 362  
462. 363  
463. 364  
464. 365  
465. 366  
466. 367  
467. 368  
468. 369  
469. 370  
470. 371  
471. 372  
472. 373  
473. 374  
474. 375  
475. 376  
476. 377  
477. 378  
478. 379  
479. 380  
480. 381  
481. 382  
482. 383  
483. 384  
484. 385  
485. 386  
486. 387  
487. 388  
488. 389  
489. 390  
490. 391  
491. 392  
492. 393  
493. 394  
494. 395  
495. 396  
496. 397  
497. 398  
498. 399  
499. 400  
500. 401  
501. 402  
502. 403  
503. 404  
504. 405  
505. 406  
506. 407  
507. 408  
508. 409  
509. 410  
510. 411  
511. 412  
512. 413  
513. 414  
514. 415  
515. 416  
516. 417  
517. 418  
518. 419  
519. 420  
520. 421  
521. 422  
522. 423  
523. 424  
524. 425  
525. 426  
526. 427  
527. 428  
528. 429  
529. 430  
530. 431  
531. 432  
532. 433  
533. 434  
534. 435  
535. 436  
536. 437  
537. 438  
538. 439  
539. 440  
540. 441  
541. 442  
542. 443  
543. 444  
544. 445  
545. 446  
546. 447  
547. 448  
548. 449  
549. 450  
550. 451  
551. 452  
552. 453  
553. 454  
554. 455  
555. 456  
556. 457  
557. 458  
558. 459  
559. 460  
560. 461  
561. 462  
562. 463  
563. 464  
564. 465  
565. 466  
566. 467  
567. 468  
568. 469  
569. 470  
570. 471  
571. 472  
572. 473  
573. 474  
574. 475  
575. 476  
576. 477  
577. 478  
578. 479  
579. 480  
580. 481  
581. 482  
582. 483  
583. 484  
584. 485  
585. 486  
586. 487  
587. 488  
588. 489  
589. 490  
590. 491  
591. 492  
592. 493  
593. 494  
594. 495  
595. 496  
596. 497  
597. 498  
598. 499  
599. 500  
600. 501  
601. 502  
602. 503  
603. 504  
604. 505  
605. 506  
606. 507  
607. 508  
608. 509  
609. 510  
610. 511  
611. 512  
612. 513  
613. 514  
614. 515  
615. 516  
616. 517  
617. 518  
618. 519  
619. 520  
620. 521  
621. 522  
622. 523  
623. 524  
624. 525  
625. 526  
626. 527  
627. 528  
628. 529  
629. 530  
630. 531  
631. 532  
632. 533  
633. 534  
634. 535  
635. 536  
636. 537  
637. 538  
638. 539  
639. 540  
640. 541  
641. 542  
642. 543  
643. 544  
644. 545  
645. 546  
646. 547  
647. 548  
648. 549  
649. 550  
650. 551  
651. 552  
652. 553  
653. 554  
654. 555  
655. 556  
656. 557  
657. 558  
658. 559  
659. 560  
660. 561  
661. 562  
662. 563  
663. 564  
664. 565  
665. 566  
666. 567  
667. 568  
668. 569  
669. 570  
670. 571  
671. 572  
672. 573  
673. 574  
674. 575  
675. 576  
676. 577  
677. 578  
678. 579  
679. 580  
680. 581  
681. 582  
682. 583  
683. 584  
684. 585  
685. 586  
686. 587  
687. 588  
688. 589  
689. 590  
690. 591  
691. 592  
692. 593  
693. 594  
694. 595  
695. 596  
696. 597  
697. 598  
698. 599  
699. 600  
700. 601  
701. 602  
702. 603  
703. 604  
704. 605  
705. 606  
706. 607  
707. 608  
708. 609  
709. 610  
710. 611  
711. 612  
712. 613  
713. 614  
714. 615  
715. 616  
716. 617  
717. 618  
718. 619  
719. 620  
720. 621  
721. 622  
722. 623  
723. 624  
724. 625  
725. 626  
726. 627  
727. 628  
728. 629  
729. 630  
730. 631  
731. 632  
732. 633  
733. 634  
734. 635  
735. 636  
736. 637  
737. 638  
738. 639  
739. 640  
740. 641  
741. 642  
742. 643  
743. 644  
744. 645  
745. 646  
746. 647  
747. 648  
748. 649  
749. 650  
750. 651  
751. 652  
752. 653  
753. 654  
754. 655  
755. 656  
756. 657  
757. 658  
758. 659  
759. 660  
760. 661  
761. 662  
762. 663  
763. 664  
764. 665  
765. 666  
766. 667  
767. 668  
768. 669  
769. 670  
770. 671  
771. 672  
772. 673  
773. 674  
774. 675  
775. 676  
776. 677  
777. 678  
778. 679  
779. 680  
780. 681  
781. 682  
782. 683  
783. 684  
784. 685  
785. 686  
786. 687  
787. 688  
788. 689  
789. 690  
790. 691  
791. 692  
792. 693  
793. 694  
794. 695  
795. 696  
796. 697  
797. 698  
798. 699  
799. 700  
800. 701  
801. 702  
802. 703  
803. 704  
804. 705  
805. 706  
806. 707  
807. 708  
808. 709  
809. 710  
810. 711  
811. 712  
812. 713  
813. 714  
814. 715  
815. 716  
816. 717  
817. 718  
818. 719  
819. 720  
820. 721  
821. 722  
822. 723  
823. 724  
824. 725  
825. 726  
826. 727  
827. 728  
828. 729  
829. 730  
830. 731  
831. 732  
832. 733  
833. 734  
834. 735  
835. 736  
836. 737  
837. 738  
838. 739  
839. 740  
840. 741  
841. 742  
842. 743  
843. 744  
844. 745  
845. 746  
846. 747  
847. 748  
848. 749  
849. 750  
850. 751  
851. 752  
852. 753  
853. 754  
854. 755  
855. 756  
856. 757  
857. 758  
858. 759  
859. 760  
860. 761  
861. 762  
862. 763  
863. 764  
864. 765  
865. 766  
866. 767  
867. 768  
868. 769  
869. 770  
870. 771  
871. 772  
872. 773  
873. 774  
874. 775  
875. 776  
876. 777  
877. 778  
878. 779  
879. 780  
880. 781  
881. 782  
882. 783  
883. 784  
884. 785  
885. 786  
886. 787  
887. 788  
888. 789  
889. 790  
890. 791  
891. 792  
892. 793  
893. 794  
894. 795  
895. 796  
896. 797  
897. 798  
898. 799  
899. 800  
900. 801  
901. 802  
902. 803  
903. 804  
904. 805  
905. 806  
906. 807  
907. 808  
908. 809  
909. 810  
910. 811  
911. 812  
912. 813  
913. 814  
914. 815  
915. 816  
916. 817  
917. 818  
918. 819  
919. 820  
920. 821  
921. 822  
922. 823  
923. 824  
924. 825  
925. 826  
926. 827  
927. 828  
928. 829  
929. 830  
930. 831  
931. 832  
932. 833  
933. 834  
934. 835  
935. 836  
936. 837  
937. 838  
938. 839  
939. 840  
940. 841  
941. 842  
942. 843  
943. 844  
944. 845  
945. 846  
946. 847  
947. 848  
948. 849  
949. 850  
950. 851  
951. 852  
952. 853  
953. 854  
954. 855  
955. 856  
956. 857  
957. 858  
958. 859  
959. 860  
960. 861  
961. 862  
962. 863  
963. 864  
964. 865  
965. 866  
966. 867  
967. 868  
968. 869  
969. 870  
970. 871  
971. 872  
972. 873  
973. 874  
974. 875  
975. 876  
976. 877  
977. 878  
978. 879  
979. 880  
980. 881  
981. 882  
982. 883  
983. 884  
984. 885  
985. 886  
986. 887  
987. 888  
988. 889  
989. 890  
990. 891  
991. 892  
992. 893  
993. 894  
994. 895  
995. 896  
996. 897  
997. 898  
998. 899  
999. 900  
1000. 901  
1001. 902  
1002. 903  
1003. 904  
1004. 905  
1005. 906  
1006. 907  
1007. 908  
1008. 909  
1009. 910  
1010. 911  
1011. 912  
1012. 913  
1013. 914  
1014. 915  
1015. 916  
1016. 917  
1017. 918  
1018. 919  
1019. 920  
1020. 921  
1021. 922  
1022. 923  
1023. 924  
1024. 925  
1025. 926  
1026. 927  
1027. 928  
1028. 929  
1029. 930  
1030. 931  
1031. 932  
1032. 933  
1033. 934  
1034. 935  
1035. 936  
1036. 937  
1037. 938  
1038. 939  
1039. 940  
1040. 941  
1041. 942  
1042. 943  
1043. 944  
1044. 945  
1045. 946  
1046. 947  
1047. 948  
1048. 949  
1049. 950  
1050. 951  
1051. 952  
1052. 953  
1053. 954  
1054. 955  
1055. 956  
1056. 957  
1057. 958  
1058. 959  
1059. 960  
1060. 961  
1061. 962  
1062. 963  
1063. 964  
1064. 965  
1065. 966  
1066. 967  
1067. 968  
1068. 969  
1069. 970  
1070. 971  
1071. 972  
1072. 973  
1073. 974  
1074. 975  
1075. 976  
1076. 977  
1077. 978  
1078. 979  
1079. 980  
1080. 981  
1081. 982  
1082. 983  
1083. 984  
1084. 985  
1085. 986  
1086. 987  
1087. 988  
1088. 989  
1089. 990  
1090. 991  
1091. 992  
1092. 993  
1093. 994  
1094. 995  
1095. 996  
1096. 997  
1097. 998  
1098. 999  
1099. 1000  
1100. 1001  
1101. 1002  
1102. 1003  
1103. 1004  
1104. 1005  
1105. 1006  
1106. 1007  
1107. 1008  
1108. 1009  
1109. 1010  
1110. 1011  
1111. 1012  
1112. 1013  
1113. 1014  
1114. 1015  
1115. 1016  
1116. 1017  
1117. 1018  
1118. 1019  
1119. 1020  
1120. 1021  
1121. 1022  
1122. 1023  
1123. 1024  
1124. 1025  
1125. 1026  
1126. 1027  
1127. 1028  
1128. 1029  
1129. 1030  
1130. 1031  
1131. 1032  
1132. 1033  
1133. 1034  
1134. 1035  
1135. 1036  
1136. 1037  
1137. 1038  
1138. 1039  
1139. 1040  
1140. 1041  
1141. 1042  
1142. 1043  
1143. 1044  
1144. 1045  
1145. 1046  
1146. 1047  
1147. 1048  
1148. 1049  
1149. 1050  
1150. 1051  
1151. 1052  
1152. 1053  
1153. 1054  
1154. 1055  
1155. 1056  
1156. 1057  
1157. 1058  
1158. 1059  
1159. 1060  
1160. 1061  
1161. 1062  
1162. 1063  
1163. 1064  
1164. 1065  
1165. 1066  
1166. 1067  
1167. 1068  
1168. 1069  
1169. 1070  
1170. 1071  
1171. 1072  
1172. 1073  
1173. 1074  
1174. 1075  
1175. 1076  
1176. 1077  
1177. 1078  
1178. 1079  
1179. 1080  
1180. 1081  
1181. 1082  
1182. 1083  
1183. 1084  
1184. 1085  
1185. 1086  
1186. 1087  
1187. 1088  
1188. 1089  
1189. 1090  
1190. 1091  
1191. 1092  
1192. 1093  
1193. 1094  
1194. 1095  
1195. 1096  
1196. 1097  
1197. 1098  
1198. 1099  
1199. 1100  
1200. 1101  
1201. 1102  
1202. 1103  
1203. 1104  
1204. 1105  
1205. 1106  
1206. 1107  
1207. 1108  
1208. 1109  
1209. 1110  
1210. 1111  
1211. 1112  
1212. 1113

Robert Donellan,  
Dir. Ex. by Mr. Harvie.

- 3022 -

incomplete. A test operation was made and, as a result of this test, additional equipment including such items as heaters was found to be necessary for the efficient operation of the plant. On completion of the statements of capital expenditure, it was found that errors and omissions had been made and also that there had been considerable delay in receiving and approving some invoices for payment in respect of work which had been done earlier. After the plant had been in operation it was possible to estimate future expenditures which would be necessary. Supplement 1 of Volume 2 has been prepared to include corrections and additions for the above mentioned items and is submitted herewith.

A summary of actual capital expenditures to March 31st, 1945, together with an estimate of future capital expenditures, and a charge for interest during construction, (Page 1 of this Volume) now shows a total of \$972,832.40.

In connection with the items included in Supplement 1, Volume 2, the following comments are submitted:-

Adjustment of appraised valuations - Credit \$3,111.74 - Page 1:

When checking the detail of values shown in Mr. Teis' appraisal of the high pressure gas gathering lines, it was found that wrong information had been supplied to Mr. Teis in connection with the cost of installing 2", 3" and 3½" pipe. Allowance was, therefore, made correcting his appraisal value accordingly. Details of the reduction in value of \$534.88 will be found on Page 3.

Water System:

It was discovered that errors had arisen in connection with the water system as shown in Volume 2. The intention was to value the water system on the same basis





Robert Donellan,  
Dir.Ex.by Mr. Harvie.

- 3023 -

of valuation as used by Mr. Teis when valuing the high pressure gas gathering lines. Since Mr. Teis' report was used as the basis, there is a corresponding reduction in respect of the installation cost of 2", 3" and 3½" pipe to be made. The amount of this adjustment is indicated on Pages 4 and 5, \$1,777.99.

Highwood-Sarcee:

An item of cost of pipe line to Highwood-Sarcee amounting to \$3,296.45 was incorrectly shown on Page 27 of Volume 2. The amount has now been deleted as the line is no longer used in this service.

Administration:

With regard to administration charges, in order to maintain a uniform basis of valuation of the Teis appraisal, an addition of 10% administration has been included. The net result of these adjustments is a reduction of \$2,576.86 in the valuation of the water system.

Expenditures from February 16, 1945 to March 31, 1945 -  
Schedule "B" Page 6

Details of the items included in this amount are given in the supporting statements to Schedule "B". The increase of \$21,835.60 over the amount of \$42,233.35 shown on Page 13, Volume 2, is accounted for as follows:-

- (a) Cost of heaters, additional valves,  
meters, etc. proved to be necessary \$ 18,000.00
- (b) Inclusion of items for work previously incurred, accounts for which had not been passed for payment at the time of preparing Volume 2 7,300.00





H-2-8

Robert Donellan  
Dir. Ex. by Mr. Harvie.

- 3024 -

(c) Adjustment of charges for the months of  
September and November which had been  
omitted from the statement previously  
filed

\$ 8,000.00

Total

\$33,300.00

Less items included in Schedule "B", Volume  
2, for uncompleted work and 10% administration

11,300.00

\$22,000.00

(Go To Page - 3025 )

1. The first part of the report is devoted to a description of the work done during the period from January to March 1954.

2. The second part of the report is devoted to a description of the work done during the period from April to June 1954.

3. The third part of the report is devoted to a description of the work done during the period from July to September 1954.

4. The fourth part of the report is devoted to a description of the work done during the period from October to December 1954.

5. The fifth part of the report is devoted to a description of the work done during the period from January to March 1955.

6. The sixth part of the report is devoted to a description of the work done during the period from April to June 1955.

7. The seventh part of the report is devoted to a description of the work done during the period from July to September 1955.

T-3-1 11.50 A.M.

R. Donellan,  
Dir. Exam. by Mr. Harvie.

- 3025 -

Estimated Future Expenditures \$32,151.00:

Details of the items included in the amount of \$32,151.00 are given in schedules on Pages 18-21. A summary of the items is as follows:-

Expenditures still to be made in respect of rights of way	\$3,450.00
Estimated cost of laying pipe under authority of Board's Order No. 13	2,500.00
Estimated cost of changing fuel gas scrubber	2,500.00
Estimated amount of Accounts Payable in respect of work in process	10,778.00
Contingencies	10,000.00
	<u>29,228.00</u>
General and administration expenses	2,923.00
	<u><u>\$32,151.00</u></u>

Interest on Capital Disbursements \$28,836.47

In accordance with standard public utility procedure, interest on capital during construction has been calculated and included as an item of the cost of construction. Construction work commenced in June, 1944, and was completed by March 1st, 1945. Total disbursements in connection with new capital expenditures, to this date, amount to \$728,653.85.

Interest on this amount at  $9\frac{1}{2}\%$  net (15.83% gross less Income Tax 40%) has been calculated on 50% of this amount for the six months ending December 31st, 1944, or \$28,836.47. Details of this computation are given on Page 22. Advantage was taken in all cases of cash and trade discounts in respect of charges during construction.

Salvage Value:

Salvage value has not been taken into consideration in this report. Our submission in respect of the matter of salvage value will be dealt with when presenting our submission in respect of the estimated cost of operation.



100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

100-100000-100000

R. Donellan,  
Dir. Exam. by Mr. Harvie.

- 3026 -

Then follows on page 1 a summary of the capital expenditures, the first column being the amount brought forward from Schedule A of Volume 2. The second column are the corrections which were referred to in the report, the third column being expenditures from February 16th to March 31st, further details of which are given in Schedule B, page 6. The next column being future expenditures which it is expected will have to be made, details of which are on page 17. The next column, interest on capital disbursements and then the total column, showing total capital expenditure of \$972,832.40, with the addition of Item 9, \$20,000 working capital. The rest of the submission consists of details supporting that summary.

Q I note on page 2, Item 3, that you refer to the Royalite Scrubbing Plant.

A When these statements were originally prepared the headings were Royalite Scrubbing plant and unfortunately, you will find reference all the way through to it being the Royalite Scrubbing Plant. I might call everybody's attention to that, that we mean Madison's Scrubbing Plant. Would you mind bearing that in mind when we are proceeding during the Hearing. I think in practically every case the statements which were prepared early in the proceedings, reference was made incorrectly to the Royalite Scrubbing Plant although the Madison Scrubbing Plant was intended. Do you wish to have any details. . . . .

Q I think you might go into pages 1 to 9 and make any comments that occur to you of an explanatory nature that might be helpful, if any.

A Page 2 gives the supporting information of the first column of the summary on page 1, which is summarized under Item 1.





R. Donellan,  
Dir. Exam. by Mr. Harvie.

- 3027 -

Low pressure gathering and discharge lines to field compressor station in its three parts, main line, lateral lines and discharge lines. Other details are given on pages 3, 4 and 5 coming down to the actual material.

Q That is pages 3, 4 and 5 of Volume 2.

A Yes.

Q Not 2A?

A No, not 2-A. Then low pressure gas field compressor station is broken into its two parts, compressor and compressor station.

Item No. 3 is just another summary of the high pressure lines from the Absorption Plant to Madison's Scrubbing Plant. Then high pressure compressor station and repressure system being Item 4 breaks it down into its 4 component parts, compressor, station, repressure line from station to Sovereign junction and part 4, repressure lines connecting Pacalta, Carleton and Sovereign.

Item 5 shows the detail of the automotive equipment. Item 6, office equipment; Item 7, water system, appraised valuation and Item 8, existing gas gathering lines. That schedule is just a copy of the one which appears in volume 2.

Page 3 gives the detail of the correction referred to in the introductory comments of \$534.88. I explained that arose through Mr. Teis being given some wrong information from our office and the Gentry engineers. They did not think that prices were quoted in the contract for those smaller diameters of pipe and the superintendent gave him the figures offhand. It was found later that the prices were in the contract on Page 8 of the Gentry contract and this is the necessary

Received of the  
[illegible]

[illegible text]

[illegible text]

[illegible text]

R. Donellan,  
Dir. Exam. by Mr. Harvie.

- 3028 -

correction to give effect to it.

Page 4, the top section of the Schedule, shows the original summary as per Volume 2 of the \$30,000.00 being the value that was put in that statement as the value of the water system. Item A referred to the inclusion of the Highwood-Sarcee pipe. Somebody in our office thought that was the Highwood River pipe and so it was taken out. Item B corrects the \$1,777.99 and the corresponding correction is similar to the one that was referred to in the report. Item C is the addition of supervision and administrative charges.

Page 5 gives a more supporting detail of the Item \$1,777.99 shown on page number 5.

- Q On Page 6 there does not seem to be any special comment.
- A Page 6, that is just a summary, really, restating the three columns of the summary into the main section.
- Q On page 7 I notice an adjustment shown there of \$1,888.51. Will you explain that?
- A That is one of the errors I was referring to when the original charges had been made incorrectly to the account involved in the deduction and \$1,888.51 was taken from the field compressor station on page 7 and added to the field compressor station on page 8. It is a transfer as between main lines and lateral lines.
- Q It is a low pressure gathering line and runs to the station on page 8?
- A Yes.
- Q Any further comments on pages 8 and 9?
- A There are footnotes there and on page 8 it shows where the offsetting adjustment is made on page 12 and footnote B shows where the offsetting corrections are on pages 11 and 14.



100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

R. Donellan,  
Dir. Exam. by Mr. Harvie.

- 3029 -

Pages 9, 10, 11, 12, 13 and 14, and up to page 16, they are just supporting, giving details of the items referred to in the previous summary. Page 17 shows the details of the estimated future expenditure contemplated in the amount of \$32,151.00. Item number 1 is broken down. This is a summary sheet and the details are found on the following pages. Low pressure gathering and discharge lines to field compressor stations, there is an item \$6,930.00, made up of \$2,145.00, an item for the main line; \$4,565.00 for lateral lines and \$220.00 for the discharge lines. More details are shown on page 18. Similarly for the low pressure gas field compressor station, a total of \$6,844.00. That is analyzed on page 19. Item 3, \$6,418.00 in connection with the line to the Madison Scrubbing Plant is detailed on page 20 and \$11,959.00 referred to in the summary for the high pressure compressor station and repressuring system, the details of that account are shown on page 21. Page 22 gives details of the computation in connection with the charge for interest during construction.

MR. CHAMBERS: Mr. Harvie, on page 17 it says here: Part 1, high pressure lines, page 20, \$6,418.00. Then turn to page 20.

A The following pages. Details of that \$6,418.00 are found on page 20.

Q Oh yes, I missed it. I am sorry. I was referring to the other exhibit.

Q MR. HARVIE: Refer back to Volume 2, exhibit 102 and there are still several pages at the end following Mr. Teis' report I think might be referred to. Starting at page 41.

A Yes, on page 41 of Exhibit 102 details are given of the





R. Donellan,  
Dir. Exam. by Mr. Harvie.

- 3030 -

\$20,000.00 of working capital. On page 42 there is a statement breaking down the investment by the various functions of the plant as between gas gathering lines, low pressure compressor stations, high pressure lines and high pressure compressor station and repressure system, water system and sundry.

Page 43 is a similar allocation of how we have applied the working capital to the various parts of the system. This was to facilitate statements in connection with operating expenses. Similarly page 44 shows the breakdown of the automotive equipment and the office equipment to the various operating sections of the system. Reference should also be made here that on page 24 of Volume 2 it gives the details of the automotive equipment which has been transferred and 25 gives details of the office equipment.

Q If you will refer to page 1 of volume 2, supplement 1, there are 9 items. First, low pressure gathering and discharge lines, field and compressor stations and so on. Am I right in stating all these items excepting 7-water system, 8-existing high pressure gas gathering lines as per K. R. Teis' appraisal and 9-working capital are items that were incurred under the direction of the Board.

A Yes.

Q And those were actually new capital expenditures?

A Not exactly. The automotive equipment, while it was an actual expenditure from the utility point of view, was a transfer of all our equipment from the British American Oil Company.

Q On the basis of valuation?

A On the basis of valuation which is shown.

1. The first part of the report is a general introduction to the subject of the study.

2. The second part of the report is a detailed description of the methods used in the study.

3. The third part of the report is a discussion of the results of the study.

4. The fourth part of the report is a conclusion and a list of references.

5. The fifth part of the report is a list of appendices.

6. The sixth part of the report is a list of figures and tables.

7. The seventh part of the report is a list of footnotes.

8. The eighth part of the report is a list of references.

9. The ninth part of the report is a list of appendices.

10. The tenth part of the report is a list of figures and tables.

11. The eleventh part of the report is a list of footnotes.

12. The twelfth part of the report is a list of references.

13. The thirteenth part of the report is a list of appendices.

14. The fourteenth part of the report is a list of figures and tables.

15. The fifteenth part of the report is a list of footnotes.

16. The sixteenth part of the report is a list of references.

17. The seventeenth part of the report is a list of appendices.

18. The eighteenth part of the report is a list of figures and tables.

19. The nineteenth part of the report is a list of footnotes.

20. The twentieth part of the report is a list of references.

21. The twenty-first part of the report is a list of appendices.

22. The twenty-second part of the report is a list of figures and tables.

23. The twenty-third part of the report is a list of footnotes.

24. The twenty-fourth part of the report is a list of references.

25. The twenty-fifth part of the report is a list of appendices.

26. The twenty-sixth part of the report is a list of figures and tables.

27. The twenty-seventh part of the report is a list of footnotes.

28. The twenty-eighth part of the report is a list of references.

29. The twenty-ninth part of the report is a list of appendices.

30. The thirtieth part of the report is a list of figures and tables.

31. The thirty-first part of the report is a list of footnotes.

32. The thirty-second part of the report is a list of references.

R. Donellan,  
Dir. Exam. by Mr. Harvie.

- 3031 -

Q Then the water system, Item 7, and Item 8 are old units that have been taken over into the new system?

A Yes.

Q And are valued on the basis of Mr. Teis' valuation and working capital is your estimate?

A Correct.

Q Now in connection with the valuation of the old units taken over, which include the water system and the high pressure gas gathering system valued by Mr. Teis, have you made any other check as to those valuations other than that of Mr. Teis?

A Yes. On the receipt of the Teis report, I naturally wanted to satisfy myself as to whether the amount was correct or if I wanted to make any comments on it. So my first test was to make a comparison with the other submissions which had been filed. I took first of all his over-all gauge, the total footage of pipe which was installed in the B.A. system and the total footage of pipe which was reported in the Madison submission and I find that the valuation of the Teis appraisal came to 2.135 dollars per foot and under Madison it came to 2.232 dollars per foot.

(Go to page 3032)



The first thing I noticed when I stepped out of the car was the cold. It was a sharp contrast to the warm blanket I had been sitting under. I looked up at the sky, which was a pale, hazy blue. The air was crisp and clean, a welcome change from the stuffy atmosphere of the car. I took a deep breath, feeling the cool air fill my lungs. The sun was just beginning to rise, casting a soft, golden glow over the landscape. The trees were still, their branches bare and reaching out towards the sky. The ground was covered in a thin layer of snow, which glistened in the early morning light. I walked slowly, my boots crunching against the snow. The silence was peaceful, a rare moment of quiet in a busy world. I felt a sense of calm, a moment of peace that I had been craving. The world was so beautiful, so full of life and hope. I smiled, feeling a sense of joy and wonder. The day was just beginning, and I knew that anything was possible.

R. Donellan,  
Direc Exam. by Mr. Harvie.

- 3032 -

Q MR. BLANCHARD: Will you give us those figures again?

A Yes, the Teis' 2.135 dollars per foot. The Madison, 2.232 dollars per foot. That seemed to be a fair over-all comparison and yet I was not able to satisfy myself that they were comparable systems as between various diameters of pipe and there did not seem to be any means of reconciling the one to the other so as a further check I took the footage of pipe reported by Mr. Teis, then I applied to Mr. Teis' footage the values shown on the Madison statement both for the pipe and the installation costs. That gave me a total of \$146,000, if I remember rightly, and I applied the same proportionate depreciation but I did not make any allowance for injuries during construction or going concern, so I felt it was 94 or 95 per cent. That supports the Teis valuation and I just accepted this 154,000 and applied the same basis of valuation then on the water system.

MR. HARVIE: Have you any further information that you wish to give on that?

A I think that sums it up. I want to make it clear that the water system was not appraised by Mr. Teis at all. At the time the instructions were given to Mr. Teis, the question of whether we should transfer the water system to the utilities had not been discussed but by the time we were preparing these statements we wished to value the water system so I used the same principle of valuation as in the Teis report and applied it to the book records of the water system but the valuation of the water system is entirely our own office work. Mr. Teis had nothing to do with it at all. I think that is all I can say.

MR. BLANCHARD: Can we have these computations

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10



R. Donellan,  
Dir. Exam. by Mr. Harvie.

- 3033 -

put in, these comparative figures between Madison and Teis?

WITNESS: I can prepare the statement. It is in the shape of working sheets now but I can have them typed and brought over.

Q MR. BLANCHARD: It would not be a great deal of labor, I suppose.

A No, it would not.

MR. HARVIE: No, we will do that.

Q MR. HARVIE: In that connection on the 11th instant in Mr. Blanchard's examination of Mr. Teis, he took a definite illustration or he took a figure of \$1,489.18 as Mr. Teis' costs and applying similar figures on the basis of Mr. Hill's valuation he came to a much lower figure, can you explain whether that is a fair comparison or what the difference is?

A Well I can only say, show the mechanical difference between \$1,489.18 from \$580.00. I submit that <sup>the</sup> over-all tests which I have previously applied, that answers the question that while there is a figure of 9.56 which was correspondingly higher than that of 4.146 in the Madison report, that there were other items of expenditures. I have not made any detailed comparison than the fact of applying the Madison value of 4.14 but I was satisfied . . . . .

Q You were satisfied that it brought it close to line.

A It is so close in line that I did not go further.

MR. HARVIE: Yes, and that is in connection with the over-all costs.

A That is right.

MR. HARVIE: Now, Mr. Chairman, shall we proceed with our further submission on operating costs, will we go on and get that all in or do you wish to proceed with the

© 2004 Blackwell Publishing Ltd *Journal of Internal Medicine* 255: 105–112

• *Journal of the American Medical Association*, 1991; 266: 1031-1035

1. *Phragmites australis* (Cav.) Trin. ex Steud.

R. Donellan,  
Dir. Exam. by Mr. Harvie.

- 3034 -

cross-examination on this point.

THE CHAIRMAN: I think probably that would be the better thing to do, to cross-examine on this point and then go on to the next one. I know it is much simpler when reading the transcript, than if you do otherwise. Of course if we cannot do it, if it is impossible, that raises the question then is anyone ready to cross-examine on this particular point?

MR. HARVIE: Outside of the working papers we are prepared to go ahead.

THE CHAIRMAN: Gentlemen, what do you wish to do?

MR. STEER: My cross-examination, sir, is of a general nature and may not be perhaps specifically related to these items except incidentally.

MR. BLANCHARD: Mr. Chairman, before cross-examining on these comparative costs of gathering lines and installing costs as between Madison and B.A., I think we should be furnished with the figures prepared by Mr. Donellan, or which are going to be prepared, because it is quite an important item and I think there will have to be a comparison of the sizes of pipe and the character of pipe to make it intelligent at all.

Q THE CHAIRMAN: Well you cannot furnish those figures today, Mr. Donellan.

A They are in working sheet form now, it is just a matter of having them typewritten.

Q When can you have them ready?

A I can have them ready, I think, this afternoon.

THE CHAIRMAN: Well we will be adjourning today anyway.

MR. HARVIE: And I will be very glad to have them distributed to counsel as soon as they are prepared,



and the other two, the first of which is

the second of the three, and the third of the three

is the third of the three, and the fourth of the three

is the fourth of the three, and the fifth of the three

is the fifth of the three, and the sixth of the three

is the sixth of the three, and the seventh of the three

is the seventh of the three, and the eighth of the three

is the eighth of the three, and the ninth of the three

is the ninth of the three, and the tenth of the three

is the tenth of the three, and the eleventh of the three

is the eleventh of the three, and the twelfth of the three

is the twelfth of the three, and the thirteenth of the three

is the thirteenth of the three, and the fourteenth of the three

is the fourteenth of the three, and the fifteenth of the three

is the fifteenth of the three, and the sixteenth of the three

is the sixteenth of the three, and the seventeenth of the three

is the seventeenth of the three, and the eighteenth of the three

is the eighteenth of the three, and the nineteenth of the three

is the nineteenth of the three, and the twentieth of the three

is the twentieth of the three, and the twenty-first of the three

is the twenty-first of the three, and the twenty-second of the three

is the twenty-second of the three, and the twenty-third of the three

is the twenty-third of the three, and the twenty-fourth of the three

is the twenty-fourth of the three, and the twenty-fifth of the three

is the twenty-fifth of the three, and the twenty-sixth of the three

is the twenty-sixth of the three, and the twenty-seventh of the three

is the twenty-seventh of the three, and the twenty-eighth of the three

is the twenty-eighth of the three, and the twenty-ninth of the three

is the twenty-ninth of the three, and the thirtieth of the three

R. Donellan,  
Dir. Exam. by Mr. Harvie. - 3035 -

which may possibly be tomorrow.

MR. CHAMBERS: It would save time in cross-examining if we had them ahead of time.

THE CHAIRMAN: You will have them in plenty of time so that you will be ready to cross-examine on Tuesday, so you had better go ahead, Mr. Harvie, with another submission now.

Q MR. HARVIE: Volume 3, Supplement 1 and the same general remarks apply to the relationship between Volume 3 and the supplement to volume 3 as applied to Volume 2 and Supplement 2. Supplement 3 is the original.

THE CHAIRMAN: Can we discard the first Volume 3 and deal only with Volume 3 supplement, or is there still some material in Volume 3 which you may require?

MR. HARVIE: I think possibly I had better have read the letter of transmissal. This will be Exhibit 113.

THE CHAIRMAN: Exhibit 113.

SUBMISSION VOLUME 3 PRODUCED  
HERE MARKED EXHIBIT 113.

MR. HARVIE: And then volume 3, supplement 1.

THE CHAIRMAN: Volume 3, supplement 1, I think we had better call that Exhibit 113 (a).

SUBMISSION VOLUME 3, SUPPLEMENT 1,  
PRODUCED HERE MARKED AS  
EXHIBIT 113(a).

Q MR. HARVIE: Will you deal with that, Mr. Donellan, with Volume 3?

A Estimated cost of operations, volume 3, February 26th, 1945.

Introduction:

The statements contained herein provide a summary of the estimated cost of operations. Page 1 shows, by years, the estimated total annual cost of operations with the average

1. The first part of the document is a list of names and addresses of the members of the committee.

2. The second part of the document is a list of names and addresses of the members of the committee.

3. The third part of the document is a list of names and addresses of the members of the committee.

4. The fourth part of the document is a list of names and addresses of the members of the committee.

5. The fifth part of the document is a list of names and addresses of the members of the committee.

6. The sixth part of the document is a list of names and addresses of the members of the committee.

7. The seventh part of the document is a list of names and addresses of the members of the committee.

8.

9. The eighth part of the document is a list of names and addresses of the members of the committee.

10. The ninth part of the document is a list of names and addresses of the members of the committee.

11. The tenth part of the document is a list of names and addresses of the members of the committee.

12. The eleventh part of the document is a list of names and addresses of the members of the committee.

13. The twelfth part of the document is a list of names and addresses of the members of the committee.

14. The thirteenth part of the document is a list of names and addresses of the members of the committee.

15. The fourteenth part of the document is a list of names and addresses of the members of the committee.

16. The fifteenth part of the document is a list of names and addresses of the members of the committee.

17. The sixteenth part of the document is a list of names and addresses of the members of the committee.

18. The seventeenth part of the document is a list of names and addresses of the members of the committee.

19. The eighteenth part of the document is a list of names and addresses of the members of the committee.

20. The nineteenth part of the document is a list of names and addresses of the members of the committee.

21. The twentieth part of the document is a list of names and addresses of the members of the committee.

22. The twenty-first part of the document is a list of names and addresses of the members of the committee.

23. The twenty-second part of the document is a list of names and addresses of the members of the committee.

24. The twenty-third part of the document is a list of names and addresses of the members of the committee.

25. The twenty-fourth part of the document is a list of names and addresses of the members of the committee.

26.

27. The twenty-fifth part of the document is a list of names and addresses of the members of the committee.

28. The twenty-sixth part of the document is a list of names and addresses of the members of the committee.

29. The twenty-seventh part of the document is a list of names and addresses of the members of the committee.



R. Donellan,  
Direct Exam. by Mr. Harvie.

- 3036 -

monthly payments required for the period 1945 to 1954 inclusive. The amortization of capital expenditures and appraised valuations is based on a straight line depreciation of 10% per annum and the return on investment at  $9\frac{1}{2}\%$  net, that is, after providing 40% income tax.

It will be appreciated that in the case of the British American Gas Utilities there is no precedent to use in the preparation of these statements. They are built up from careful estimates prepared by the Engineering and Accounting staffs.

Operating Costs:

Page 2 gives a summary of the various types of expense included in this item such as labour, repairs and maintenance, etc.

Administration Charges:

An administration charge of \$15,000 per annum has been included in the operating cost statement representing an estimate of the proportion of overhead charges which will be levied by The British American Oil Company Limited, for supervision of the operations of the Utilities Company. Here again, there is no definite precedent established but from experience of the Company's other operations, it is felt that the estimated amount of \$15,000 will be justified in practice. This charge is intended to cover the items outlined on page 3.

Amortization of Capital Expenditures and Appraised Valuations:

Details of the amount shown on the summary are given on page 4. An amount of the estimated salvage value at the end of the ten years has not been included in the statement submitted. It is recognized that this matter must receive

Section 10

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry must be supported by proper documentation and that any discrepancies should be investigated immediately. The second part outlines the procedures for handling incoming payments, including the requirement for receipts and the timely recording of amounts received. The third part addresses the management of outgoing payments, stressing the need for proper authorization and the use of checks or bank transfers to ensure accuracy. Finally, the section concludes with a reminder to conduct regular reconciliations to ensure the integrity of the accounting system.

Section 11: Financial Reporting

This section details the requirements for preparing financial statements. It specifies the frequency of reports, the format to be used, and the responsibilities of the accounting department. It also discusses the importance of transparency and the need to provide clear explanations for any significant variances from the budget.

Section 12: Internal Controls

The purpose of this section is to establish a robust system of internal controls to prevent fraud and errors. It covers key areas such as segregation of duties, authorization of transactions, and the physical security of assets. The document also describes the process for identifying and mitigating risks, as well as the role of the internal audit function in monitoring the effectiveness of these controls. It stresses that a strong internal control system is essential for the reliability of financial information and the overall success of the organization.

Section 13: Compliance and Ethics

This section focuses on the organization's commitment to legal and ethical standards. It outlines the policies and procedures for ensuring compliance with applicable laws and regulations, as well as the promotion of a culture of integrity. It includes guidelines for reporting potential violations and the consequences for non-compliance. The section also discusses the importance of ongoing training and education for all employees to ensure they understand and adhere to the organization's values and standards.

R. Donellan,  
Dir. Exam. by Mr. Harvie.

- 3037 -

consideration before the termination of the ten-year period. It is difficult, and in our opinion practically impossible, to estimate adequately the salvage value of equipment ten years hence. Engineering and scientific development during the ensuing decade cannot be forecast. It is estimated that a revision of rates will undoubtedly prove to be necessary and that in six to seven years hence a more reasonable estimate of salvage value could be determined. In the meantime, amortization of capital expenditures and appraised valuations has been calculated on a straight line basis for the estimated period of operations, namely, ten years.

The fact of eliminating consideration of salvage value at this time does not penalize the users of gas during the early years and bonus the users in the latter years. It is submitted that the net amount is not sufficiently large to render any serious injustice. Assuming a salvage value of \$50,000, that is, 5%, there would be a decrease over ten years of \$50,000 or \$5,000, per year in the amortization charge but on the other hand there would be a corresponding increase in the amount of return on investment.

Return on Investment  $9\frac{1}{2}\%$  net:

A rate of  $9\frac{1}{2}\%$  net has been used in the estimated cost of operations as being a fair return in view of the short term life and the nature of the operations. Compared with other public utility operations in the Province of Alberta, namely, the Gas Company with a comparatively stable operation for several times the period involved, with a net return, we understand, of  $8\frac{1}{2}\%$  and the Valley Pipe Line, which again has a greater contemplated life than ten years, with a rate of 8%, we believe  $9\frac{1}{2}\%$  to be a just and fair rate. The return on investment has also been included on the





R. Donellen,  
Dir. Exam. by Mr. Harvie.

- 3038 -

amount of working capital involved, namely, \$20,000.

I might say that I have since learned, I had that report dictated down in Toronto and I was going from memory, that item was 10% originally and it was not 8% until some time subsequently.

The amount of working capital has been calculated as being the stock of spare parts for compressor stations \$6,600 plus sixty days' operating expenses including administration \$13,400.

Departmental Expenses:

Pages 5 to 7 inclusive show a summary of the operating cost divided between

- (a) High pressure gas gathering lines.
- (b) Low pressure gas gathering lines.
- (c) Low pressure compressor station.
- (d) High pressure compressor station.
- (e) High pressure line to Madison Scrubbing Plant.
- (f) Repressuring lines.
- (g) Water system.

Pages 8 to 11 inclusive show a breakdown of the operating expenses, administration, amortization of capital expenditures and appraised valuations and return on investment over the various departments concerned.

It will be appreciated that the statements included in Volume 3 represent the gross cost of operations. No attempt has been made to allocate the division of this cost as between the amounts chargeable against gas sold to the market, transportation services for the G.O.P. The British American Oil Company Limited in connection with gas gathering lines, the use of water, or any other allocation of charges

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the transparency and accountability of the organization. This section also outlines the various methods used to collect and analyze data, ensuring that the information is reliable and up-to-date.

2. The second part of the document focuses on the implementation of the proposed changes. It details the steps involved in the rollout process, from initial planning to final execution. This section also addresses potential challenges and provides strategies to overcome them, ensuring a smooth transition to the new system.

3. The third part of the document discusses the ongoing monitoring and evaluation of the project. It highlights the need for continuous communication and collaboration between all stakeholders involved. This section also provides a framework for assessing the progress and impact of the project, allowing for timely adjustments and improvements.

4. The fourth part of the document concludes with a summary of the key findings and recommendations. It reiterates the importance of maintaining accurate records and the need for ongoing communication and collaboration. This section also provides a final overview of the project's goals and objectives, ensuring that all stakeholders are aligned and committed to the success of the project.



R. Donellan,  
Dir. Ex. by Mr. Harvie.

- 3039 -

which may be ordered by the Board. It is merely a statement of the estimated cost of operations.

Then follows the index of the various statements. Page 1 is a summary of the estimated cost of operations. . . . .

Q Have you read the summary, no, I suggest you now go on with the supplement to Volume 3.

A Very well, perhaps it would be better than going on with this here.

Supplement 1 to Volume 3 is dated May 22, 1945.

The statements contained herein are a revision of the statements shown in Volume 3. Volume 3 was prepared in February at which time various items of construction had not been completed. It was necessary, therefore, to file a supplement to Volume 2 adjusting estimated amounts to actual costs. This, necessarily, caused a change in the proposed rate base thereby altering the amount of amortization and also the amount of return on investment as shown in Volume 3. Supplement 1 to Volume 3 is submitted herewith, the statements being adjusted to provide for the change in the amount of capital expenditure in Supplement 1 to Volume 2.

Return on Investment:

When preparing Volume 3, the return on investment was taken on a basis of the opening balance. In order to reflect greater accuracy in this item the return on investment in Supplement 1 to Volume 3 has been calculated on a weighted basis similar to other submissions filed.

Then there follows the index.

Page 1, a summary of the estimated cost of operations for each of the years 1945 to 1954, the total amount of funds required to operate the system, broken

1. The first part of the paper is devoted to a discussion of the general principles of the theory of the structure of the atom.

2. In the second part of the paper, we shall consider the question of the structure of the atom in more detail. We shall begin with a discussion of the structure of the atom in the case of a single electron, and then we shall consider the structure of the atom in the case of many electrons.

3. In the third part of the paper, we shall consider the question of the structure of the atom in more detail. We shall begin with a discussion of the structure of the atom in the case of a single electron, and then we shall consider the structure of the atom in the case of many electrons.

4. In the fourth part of the paper, we shall consider the question of the structure of the atom in more detail. We shall begin with a discussion of the structure of the atom in the case of a single electron, and then we shall consider the structure of the atom in the case of many electrons.

R. Donellan,  
Dir. Ex. by Mr. Harvie.

- 3040 -

down as between operating costs, administration charges, amortization of capital expenditures, net return on investment, the total amount average monthly payment required. Page 2 breaks down the annual charge of operating costs into its component parts of labor, repairs and maintenance, lubricating oil, field management and supervision, taxes, etc.

Page 3 outlines the items which are included under "administration".

Page 4 shows the working out of the amortization charge at \$97,283 per annum.

(Go to page 3041)



1. The first part of the report  
describes the general situation  
of the country in 1950.  
It mentions the population  
and the main occupations.  
The second part of the report  
describes the economic situation  
in 1950. It mentions the  
main products and the  
main industries.  
The third part of the report  
describes the social situation  
in 1950. It mentions the  
main social problems and  
the main social reforms.

2. The second part of the report  
describes the economic situation  
in 1950. It mentions the  
main products and the  
main industries.

R. Donellan,  
Dir.Exam. by Mr. Harvie.

- 3041 -

Page 5 breaks down the estimated cost of operations as between the high pressure gas gathering line and the low pressure line and low pressure station for each of the ten years. Page 6, is a continuation of estimated cost of operations for high pressure compressor station, high pressure line to Madison and repressuring lines.

Page 7, shows the operating costs, administration, amortized capital expenditures and return of investment incidental to the water system for each of the years 1945 to 1954.

MR. HARVIE: I do not know whether we are gaining anything. I think they are all self explanatory.

A They are almost self explanatory. It is a question of whether Volume 5 is not part of the Supplement Volume 1 to Volume 3. It is an extension of the Supplement, Mr. Chairman.

MR. HARVIE: Volume 5 covers gas gathering operations divided into the headings indicated.

THE CHAIRMAN: That will be an Exhibit.

BRITISH AMERICAN GAS UTILITIES  
LIMITED ESTIMATED COSTS MAY  
22ND, 1945, VOLUME 5, NOW MARKED  
EXHIBIT 113 B.

MR. HARVIE: I would say when we prepared Volume 3, Supplement 1, Volume 3, we restricted the estimate of costs of operations just to a picture of the total operation irrespective of the allocation for the various uses. It was always felt we could extend that and give a supplement breaking down those costs to the various operations.

A Volume 5 is the estimated costs of (a) gas gathering operations, (b) gas transmission operations, (c) gas repressuring operation, (d) water system operations.

1. The first part of the report...

2. The second part...

3. The third part...

4. The fourth part...

5. The fifth part...

6. The sixth part...

7. The seventh part...

8. The eighth part...

9. The ninth part...

10. The tenth part...

11. The eleventh part...

12. The twelfth part...

13. The thirteenth part...

14. The fourteenth part...

15. The fifteenth part...

16. The sixteenth part...

17. The seventeenth part...

18. The eighteenth part...

19. The nineteenth part...

20. The twentieth part...

21. The twenty-first part...

22. The twenty-second part...

23. The twenty-third part...

24. The twenty-fourth part...

25. The twenty-fifth part...

26. The twenty-sixth part...

27. The twenty-seventh part...

28. The twenty-eighth part...

29. The twenty-ninth part...

30. The thirtieth part...

31. The thirty-first part...

32. The thirty-second part...

33. The thirty-third part...

34. The thirty-fourth part...

35. The thirty-fifth part...

36. The thirty-sixth part...

37. The thirty-seventh part...

38. The thirty-eighth part...

39. The thirty-ninth part...

40. The fortieth part...



R. Donellan,  
Dir.Exam. by Mr. Harvie.

- 3042 -

Toronto, May 22, 1945.

Introduction

This report, being volume 5 of our submissions, contains an estimated break-down of the estimated cost of operations figures reported in Supplement 1 to Volume 3, in order to show "A" Estimated Cost of Gas Gathering Operations, "B" Estimated Cost of Transmitting Gas to Madison Scrubbing Plant, "C" Estimated Cost of Gas Repressuring Operations, "D" Estimated Cost of Water System Operations.

Pages 1 and 2 of this submission are the summary sheets showing the estimates for :

"A" Cost of Gas Gathering, which includes the cost of compressing and the portion of water costs applicable to the low pressure compressor station operations.

"B" Cost of Transmitting or Delivering Gas to Madison Scrubbing Plant. These figures also include the cost of compressing and the portion of water costs applicable to the high pressure compressor station operations.

"C" Cost of Repressuring Gas - here again the figures include the cost of compressing and the portion of water costs applicable to the high pressure compressor station operations.

"D" Water System Operating Costs - these figures exclude 25% of the cost of operations which has been included in items "A", "B" and "C" above. We estimate 25% as being the percentage of volume of water used at the two compressor stations.

Column 1 - "Operating Costs" and Column 2 - "Administration": Details regarding the break-down of these figures are shown on page 4 of this volume.

[illegible][illegible]

1. *Chrysomelids* 2. *Curculionids* 3. *Chrysomelids* 4. *Chrysomelids* 5. *Chrysomelids* 6. *Chrysomelids* 7. *Chrysomelids* 8. *Chrysomelids* 9. *Chrysomelids* 10. *Chrysomelids* 11. *Chrysomelids* 12. *Chrysomelids* 13. *Chrysomelids* 14. *Chrysomelids* 15. *Chrysomelids* 16. *Chrysomelids* 17. *Chrysomelids* 18. *Chrysomelids* 19. *Chrysomelids* 20. *Chrysomelids* 21. *Chrysomelids* 22. *Chrysomelids* 23. *Chrysomelids* 24. *Chrysomelids* 25. *Chrysomelids* 26. *Chrysomelids* 27. *Chrysomelids* 28. *Chrysomelids* 29. *Chrysomelids* 30. *Chrysomelids* 31. *Chrysomelids* 32. *Chrysomelids* 33. *Chrysomelids* 34. *Chrysomelids* 35. *Chrysomelids* 36. *Chrysomelids* 37. *Chrysomelids* 38. *Chrysomelids* 39. *Chrysomelids* 40. *Chrysomelids* 41. *Chrysomelids* 42. *Chrysomelids* 43. *Chrysomelids* 44. *Chrysomelids* 45. *Chrysomelids* 46. *Chrysomelids* 47. *Chrysomelids* 48. *Chrysomelids* 49. *Chrysomelids* 50. *Chrysomelids* 51. *Chrysomelids* 52. *Chrysomelids* 53. *Chrysomelids* 54. *Chrysomelids* 55. *Chrysomelids* 56. *Chrysomelids* 57. *Chrysomelids* 58. *Chrysomelids* 59. *Chrysomelids* 60. *Chrysomelids* 61. *Chrysomelids* 62. *Chrysomelids* 63. *Chrysomelids* 64. *Chrysomelids* 65. *Chrysomelids* 66. *Chrysomelids* 67. *Chrysomelids* 68. *Chrysomelids* 69. *Chrysomelids* 70. *Chrysomelids* 71. *Chrysomelids* 72. *Chrysomelids* 73. *Chrysomelids* 74. *Chrysomelids* 75. *Chrysomelids* 76. *Chrysomelids* 77. *Chrysomelids* 78. *Chrysomelids* 79. *Chrysomelids* 80. *Chrysomelids* 81. *Chrysomelids* 82. *Chrysomelids* 83. *Chrysomelids* 84. *Chrysomelids* 85. *Chrysomelids* 86. *Chrysomelids* 87. *Chrysomelids* 88. *Chrysomelids* 89. *Chrysomelids* 90. *Chrysomelids* 91. *Chrysomelids* 92. *Chrysomelids* 93. *Chrysomelids* 94. *Chrysomelids* 95. *Chrysomelids* 96. *Chrysomelids* 97. *Chrysomelids* 98. *Chrysomelids* 99. *Chrysomelids* 100. *Chrysomelids*

... 30.000000

...and the same is true of the other two.

[illegible]

100



R. Donellan,  
Dir.Exam. by Mr. Harvie.

- 3043 -

Column 3 - "Amortization of Capital Expenditures"; Details of the break-down of capital expenditures and appraised valuations are shown on page 3 of this volume. Here again, as in our other submissions, we have used a straight line write-off for a period of 10 years.

Column 4 - "Return on Investment -  $9\frac{1}{2}\%$  Net": Details of the calculations are found on pages 5 and 6 of this volume.

Column 5 - shows the Total Estimated Cost of Operations.

Column 6 - "Revenue from Gas Handled ex G & O. R. Ltd."

shows the estimated revenue from transmitting gas from Gas and Oil Refineries Limited to Madison Scrubbing Plant - details of the make-up of this figure can be found on page 8 of this volume.

Column 7 - "Revenue from B-A Oil Co. Ltd. for 15% of Operating Costs of the Gas Gathering Lines". This represents the estimated cost of operating Gas Gathering Lines applicable to the volume of gas:

(a) lost in Absorption Plant operations 10%

(b) used in Absorption Plant as fuel 5%

Details of this figure are shown on page 7 of this volume.

Column 8 - "Revenue from B-A Oil Co. Ltd. for 75% of Operating Costs of the Water System". It has been estimated by our engineer and plant manager that 25% of the water through the water system is used at the two compressor stations run by the B-A Gas Utilities Limited and 75% used by The British American Oil Company Limited Absorption Plant. Further details of this figure can be found on page 7 of this volume.

Column 9 - Shows the Total Cost of Operation after deducting the revenues shown in columns 6, 7 and 8.



1. The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations

$$x' = f(x, y), \quad y' = g(x, y)$$

where  $f$  and  $g$  are continuous functions defined in a region  $R$  of the  $xy$ -plane. The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations

$$x' = f(x, y), \quad y' = g(x, y)$$

where  $f$  and  $g$  are continuous functions defined in a region  $R$  of the  $xy$ -plane. The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations

$$x' = f(x, y), \quad y' = g(x, y)$$

where  $f$  and  $g$  are continuous functions defined in a region  $R$  of the  $xy$ -plane. The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations

$$x' = f(x, y), \quad y' = g(x, y)$$

where  $f$  and  $g$  are continuous functions defined in a region  $R$  of the  $xy$ -plane. The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations

where  $f$  and  $g$  are continuous functions defined in a region  $R$  of the  $xy$ -plane. The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations

where  $f$  and  $g$  are continuous functions defined in a region  $R$  of the  $xy$ -plane. The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations

where  $f$  and  $g$  are continuous functions defined in a region  $R$  of the  $xy$ -plane. The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations

where  $f$  and  $g$  are continuous functions defined in a region  $R$  of the  $xy$ -plane. The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations

R. Donellan,  
Dir.Exam. by Mr. Harvie.

- 3044 -

Column 10 - Shows the Average Monthly Payment Required to cover the cost of operations.

Pages 3 and 4 allocates Capital Expenditures and Appraised Valuations, Working Capital, Operating Expenses and Administration to the four systems covered in this submittal.

Pages 5 and 6 contain tables showing Amortization of capital expenditures and Appraised Valuations (as reported in Supplement 1 to Volume 2) and calculation of Return on Investment.

Page 7 gives details of charges to The British American Oil Company Limited.

Page 8 gives details of the charge for transmitting gas from Gas and Oil Refineries Limited to the Madison Scrubbing Plant.

When compiling these figures the operating costs of the high pressure compressor station were divided between the cost of transmitting gas and the cost of repressuring gas on a basis of estimated throughput - (Transmitting Gas 42% - Repressuring Gas 58%). The cost of water was divided between the two compressor stations on a basis of H. P. rating (L.P. Compressor station 10.75% - H. P. Compressor Station 14.25%)

Supporting details are merely an extension of the figures in Volume 3 of the Supplement with a credit for the services rendered to the B. A. Oil Company and G. O. P.

Q MR. HARVIE: Have you any special comment to make on any of the other pages or are they self explanatory ?

A I think they are self explanatory.

Q MR. HARVIE: That will complete our written submission,

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911



R. Donellan,

Cross-Exam. by Mr. Steer.

- 3045. -

Mr. Chairman, I do not know whether there is anything to be gained by using up the few minutes in cross-examination.

MR. FENERTY: I am not prepared to cross-examine now.

THE CHAIRMAN: You must remember Mr. Donellan has to leave here next Thursday night and I also have something else for Thursday and we have twenty minutes that can be usefully used in cross-examination.

MR. BLANCHARD: May I ask, Mr. Chairman, whether the operating costs for the first six months of 1945 are available, the actual record of operating costs?

A Our proposal is filed for the seven months and unless you want the six months which is a matter of typing. They will be available tomorrow morning. Seven months would be satisfactory Mr. Blanchard.

MR. BLANCHARD: Yes.

THE CHAIRMAN: Perhaps Mr. Steer you could do your general questions today.

MR. STEER: Yes.

CROSS-EXAMINED BY MR. STEER:

Q You have told us you have been connected with the British American Oil Company since 1930?

A Yes.

Q And I take it then you have a pretty detailed knowledge of the affairs of the Company. Is that right?

A Well I was internal Auditor for several years and I have been Chief Accountant for the last three years so I should have.

Q Are you able to tell us when this British American absorption plant was erected?

A 1936.

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

R. Donellan,  
Cross-Exam. by Mr. Steer.

- 3046 -

Q And was it a new plant when it was first erected or were second hand materials used in it ?

MR. HARVIE: I was wondering whether this has anything to do with this inquiry. I do not know that any detail of the absorption plant as such has anything to do with the inquiry at this stage. Those assets that were taken over by this utility from the absorption plant, yes.

MR. STEER: I propose to present to the Board a submission that notwithstanding the severance of the absorption plant from the balance of the property that this Board should look into the undertaking as an integrated undertaking.

THE CHAIRMAN: In other words you are not directing this cross-examination to any particular inquiry into the absorption plant but rather as it may apply to the whole original operation and for the purpose of dissection.

MR. STEER: Quite so.

THE CHAIRMAN: Oh I think we will have the evidence if it is available and you can rely on us, Mr. Harvie, not to get our minds confused with irrelevancies if there are any -

MR. HARVIE: I may be wishing to speak after I hear some more questions as to type of evidence that is going in.

A Are you referring Mr. Steer to the absorption plant as a plant or the gas gathering line they have taken over ?

MR. STEER:

Q Let us have them both. Where did the material for the construction of the absorption plant come from ?

A Well I am not - I can only give it to you from memory. I cannot refresh myself on it. A certain amount of new material. some pipe was second hand pipe.

Q I am talking about the plant itself.

A The plant itself, some came if I recall correctly from the





R. Donellan,  
Cross-Exam. by Mr. Steer.

- 3047 -

plant we had at Coutts. Some of it was new, a combination of new and old.

Q And the plant that you had at Coutts, was that a new plant when erected or a second hand plant ?

A That was a plant which we took over from another company.

Q And how old was it when you took it over ?

A I have no idea.

Q Then you took that old plant and you moved what you could of it up to the location of the present plant in 1936, and you added some new materials and that is the building as it exists today subject to any intervening depreciation and wear and tear. That is right ?

A Yes, that is right.

Q And I gathered from Mr. Teis evidence that the gathering system that you built connected with that plant was much the same. Old stuff, with some, mostly old stuff with some new stuff added.

A Well gas gathering systems, some of it was installed in 1936. There was a steady growth in additions to it.

( Go to Page 3048 )

[illegible]

• 2000 •

• *Chrysomelidae* (Colorado potato beetle)

1990



H-3-1 12.45 p.m.

Robert Donellan,  
Cross.Exam. by Mr. Steer.

-3048 -

Q Yes. On your having constructed that B.A. plant you had no wells of your own in that area?

A I do not know. From memory I will say I believe not, but I am not prepared to say definitely.

MR. HARVIE: If you do not know just say so.

Q MR. STEER: And your plant operations then were carried on by virtue of contracts made between your company and oil well operators in the area, is that right?

A That is right.

Q 1936 is the year in which crude oil was first discovered in the Turner Valley area?

A Correct.

Q Is that right?

A Yes..

Q Are you able to tell us how many wells were operating in that area prior to 1936?

A No.

Q Is that information available?

A I have not got it.

Q Can you get it?

MR. McDONALD: It will be in the Conservation Board's report.

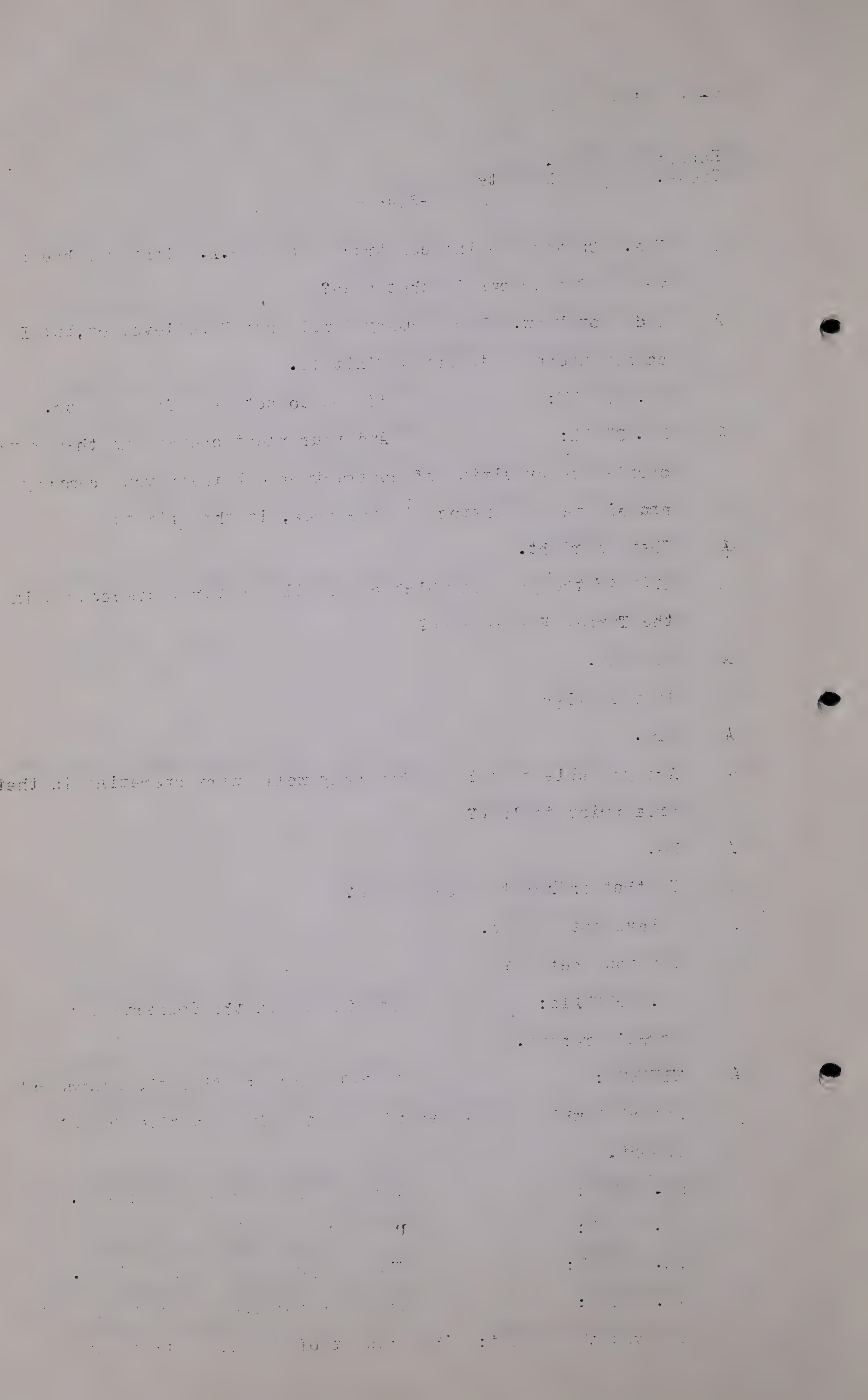
A WITNESS: I shall have to find the source of material which I believe will be the Conservation Board's report.

DR. BOOMER: Those reports have been filed.

MR. STEER: Pardon?

DR. BOOMER: Those reports have been filed.

Q MR. STEER: Then the purpose - perhaps I will ask you this first: The product of any wells that were in



Robert Donellan,  
Cross-Exam. by Mr. Steer.

- 3049 -

existence prior to 1936 would be naphtha?

A I do not know.

Q You do not know?

A No.

Q Will any other official of your company connected with the operating department be in the box, do you know?

A I do not know that.

Q Do you know whether the construction of this plant was in any way connected with the discovery of crude oil in 1936?

A I think not. My memory says that this was built on the assumption of the Turner Valley gas field.

Q It was built what?

A On the assumption of it being a gas field, or naphtha.

Q Gas field?

A Gas and naphtha.

Q Pardon?

A Gas and naphtha.

Q Yes. And by a gas field you mean a gas and naphtha field?

A Yes.

Q Now, Mr. Donellan, it must be true that your original plant in 1936 was built for the purpose of recovering the naphtha from that gas that was available prior to that year plus such additional naphtha as could be got from any crude oil wells in the area that were connected up to your plant, is that right?

A I do not know. It sounds reasonable.

MR. HARVIE: Mr. Steer, I think you mean absorption product. Naphtha is the product from the separator which the absorption plant does not include.

Q MR. STEER: It is true that from 1936 up to



Age Group	Total (%)	Female (%)	Male (%)	Unknown (%)
18-24	100	85	15	0
25-34	100	75	25	0
35-44	100	85	15	0
45-54	100	80	20	0
55-64	100	75	25	0
65+	100	85	15	0

Figure 1. A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z, AA, AB, AC, AD, AE, AF, AG, AH, AI, AJ, AK, AL, AM, AN, AO, AP, AQ, AR, AS, AT, AU, AV, AW, AX, AY, AZ, BA, BB, BC, BD, BE, BF, BG, BH, BI, BJ, BK, BL, BM, BN, BO, BP, BQ, BR, BS, BT, BU, BV, BW, BX, BY, BZ, CA, CB, CC, CD, CE, CF, CG, CH, CI, CJ, CK, CL, CM, CN, CO, CP, CQ, CR, CS, CT, CU, CV, CW, CX, CY, CZ, DA, DB, DC, DD, DE, DF, DG, DH, DI, DJ, DK, DL, DM, DN, DO, DP, DQ, DR, DS, DT, DU, DV, DW, DX, DY, DZ, EA, EB, EC, ED, EE, EF, EG, EH, EI, EJ, EK, EL, EM, EN, EO, EP, EQ, ER, ES, ET, EU, EV, EW, EX, EY, EZ, FA, FB, FC, FD, FE, FF, FG, FH, FI, FJ, FK, FL, FM, FN, FO, FP, FQ, FR, FS, FT, FU, FV, FW, FX, FY, FZ, GA, GB, GC, GD, GE, GF, GG, GH, GI, GJ, GK, GL, GM, GN, GO, GP, GQ, GR, GS, GT, GU, GV, GW, GX, GY, GZ, HA, HB, HC, HD, HE, HF, HG, HH, HI, HJ, HK, HL, HM, HN, HO, HP, HQ, HR, HS, HT, HU, HV, HW, HX, HY, HZ, IA, IB, IC, ID, IE, IF, IG, IH, II, IJ, IK, IL, IM, IN, IO, IP, IQ, IR, IS, IT, IU, IV, IW, IX, IY, IZ, JA, JB, JC, JD, JE, JF, JG, JH, JI, JJ, JK, JL, JM, JN, JO, JP, JQ, JR, JS, JT, JU, JV, JW, JX, JY, JZ, KA, KB, KC, KD, KE, KF, KG, KH, KI, KJ, KK, KL, KM, KN, KO, KP, KQ, KR, KS, KT, KU, KV, KW, KX, KY, KZ, LA, LB, LC, LD, LE, LF, LG, LH, LI, LJ, LK, LL, LM, LN, LO, LP, LQ, LR, LS, LT, LU, LV, LW, LX, LY, LZ, MA, MB, MC, MD, ME, MF, MG, MH, MI, MJ, MK, ML, MM, MN, MO, MP, MQ, MR, MS, MT, MU, MV, MW, MX, MY, MZ, NA, NB, NC, ND, NE, NF, NG, NH, NI, NJ, NK, NL, NM, NO, NP, NQ, NR, NS, NT, NU, NV, NW, NX, NY, NZ, OA, OB, OC, OD, OE, OF, OG, OH, OI, OJ, OK, OL, OM, ON, OO, OP, OQ, OR, OS, OT, OU, OV, OW, OX, OY, OZ, PA, PB, PC, PD, PE, PF, PG, PH, PI, PJ, PK, PL, PM, PN, PO, PP, PQ, PR, PS, PT, PU, PV, PW, PX, PY, PZ, QA, QB, QC, QD, QE, QF, QG, QH, QI, QJ, QK, QL, QM, QN, QO, QP, QQ, QR, QS, QT, QU, QV, QW, QX, QY, QZ, RA, RB, RC, RD, RE, RF, RG, RH, RI, RJ, RK, RL, RM, RN, RO, RP, RQ, RR, RS, RT, RU, RV, RW, RX, RY, RZ, SA, SB, SC, SD, SE, SF, SG, SH, SI, SJ, SK, SL, SM, SN, SO, SP, SQ, SR, SS, ST, SU, SV, SW, SX, SY, SZ, TA, TB, TC, TD, TE, TF, TG, TH, TI, TJ, TK, TL, TM, TN, TO, TP, TQ, TR, TS, TT, TU, TV, TW, TX, TY, TZ, UA, UB, UC, UD, UE, UF, UG, UH, UI, UJ, UK, UL, UM, UN, UO, UP, UQ, UR, US, UT, UU, UV, UW, UX, UY, UZ, VA, VB, VC, VD, VE, VF, VG, VH, VI, VJ, VK, VL, VM, VN, VO, VP, VQ, VR, VS, VT, VU, VV, VW, VX, VY, VZ, WA, WB, WC, WD, WE, WF, WG, WH, WI, WJ, WK, WL, WM, WN, WO, WP, WQ, WR, WS, WT, WU, WV, WW, WX, WY, WZ, XA, XB, XC, XD, XE, XF, XG, XH, XI, XJ, XK, XL, XM, XN, XO, XP, XQ, XR, XS, XT, XU, XV, XW, XX, XY, XZ, YA, YB, YC, YD, YE, YF, YG, YH, YI, YJ, YK, YL, YM, YN, YO, YP, YQ, YR, YS, YT, YU, YV, YW, YX, YY, YZ, ZA, ZB, ZC, ZD, ZE, ZF, ZG, ZH, ZI, ZJ, ZK, ZL, ZM, ZN, ZO, ZP, ZQ, ZR, ZS, ZT, ZU, ZV, ZW, ZX, ZY, ZZ.

the 1990s, the number of people in the world who are under 15 years of age is expected to increase from 1.1 billion to 1.5 billion. The number of people aged 65 and over is expected to increase from 250 million to 450 million. The number of people aged 15 and over is expected to increase from 3.5 billion to 4.5 billion. The number of people aged 15 and over is expected to increase from 3.5 billion to 4.5 billion. The number of people aged 15 and over is expected to increase from 3.5 billion to 4.5 billion.

•

2. *Phragmites* (common)

1990

the 1990s, the number of people in the world who are under 15 years of age is expected to increase by 1.5 billion, from 1.1 billion in 1990 to 2.6 billion in 2010. The number of people aged 65 and over is expected to increase by 1 billion, from 350 million in 1990 to 1.4 billion in 2010. The number of people aged 15-64 is expected to increase by 1.5 billion, from 2.5 billion in 1990 to 4.0 billion in 2010. The number of people aged 65 and over is expected to increase by 1 billion, from 350 million in 1990 to 1.4 billion in 2010. The number of people aged 15-64 is expected to increase by 1.5 billion, from 2.5 billion in 1990 to 4.0 billion in 2010.

2000 13

[illegible]

10

Robert Donellan.  
Cross-Exam. by Mr. Steer

- 3050 -

the present time all the residue gas from that plant was burned?

A Not all, some of it was sold for drilling fuels.

Q An insignificant amount?

A Yes, quite.

Q Was sold for drilling fuel and all the rest of it was burned?

A Correct.

Q It follows then that your plant plus your gathering lines from 1936 on to the present time were built for the purpose of recovering the gasoline content from the gas in that area?

A Yes, I think that was the primary reason.

Q Yes. And consequently that description that you made of this field as a gas and gasoline field would not be an accurate description?

A I did not say gas and gasoline.

Q What did you say?

A Gas and naphtha.

Q Gas and naphtha?

A Yes.

Q That could not be an accurate description that all the gas from 1936 on was burned in the air, could it?

A I think in that year.....well we might be at cross-purposes there. It was built as a gas field, a gas and naphtha field, with the idea of taking the absorption content out of the gas.

Q Quite so?

A Yes.

Q That is what you meant by that?

A Yes, that is what I meant by that.

Q You did not mean a field developed for the purpose of recovering natural gas that could be furnished consumers to be burned

100-443507-1000

[illegible]

• • • • •

to: 1000

*Synaldis* sp. nov.

1990 年 12 月 15 日

[illegible]

2001: 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 2680, 2681, 2682, 26

*Journal of Interpersonal Violence* 26(10)



Robert Donellan,  
Cross-Exam.by Mr. Steer.

- 3051 -

in their furnaces or stoves?

A I had no reference to the gas field in that sense.

Q Yes. So that we are at cross-purposes. And so that really what you say is that your installations there originally were for the purpose of recovering the remaining gasoline that was in that natural gas after it left the separators at various wells, whether gas wells or crude oil wells?

A That was the original use of the plant.

Q Yes. And for that purpose you erected the high pressure gathering system which Mr. Teis has valued for us, is that right?

A Correct sir.

Q And it was built for that purpose and for no other purpose?

A Built for that purpose at the time it was built. I do not know what the engineers had in mind.

Q Have you any idea of the volume of gas that was burned in the intervening years from 1936 on?

A I have the information available but not with me, I am afraid. I can get it for you.

Q Perhaps you will get that for me.

Q THE CHAIRMAN: Mr. Donellan, perhaps - the thought just occurred to me, what had you in mind when you had the 50% provision in the contract with regard to the natural gas?

A Well I had nothing to do with that. I believe that it was to be divided, it was to be divided 50-50.

MR. HARVIE: We propose very definitely when the time comes on the absorption operations to bring considerable evidence on that point. If it would be of any assistance in this part of the Inquiry, I do not think we will have any objection to giving some reasons for it.

CONFIDENTIAL

- 1 -

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

Robert Donellan,  
Cross-Exam. by Mr. Steer.

- 3052 -

THE CHAIRMAN: Well we won't go into it now, but I thought perhaps Mr. Donellan was overlooking something.

MR. HARVIE: That was very good of you, because I was just hoping that the point would come out.

Q MR. STEER: I suppose perhaps we will have that contract before us some time before the end of the hearing. I have not yet seen one. There is a term in the contract isn't there, Mr. Donellan, that if the residue gas is used for any purpose then the proceeds of the sale of it are to be divided between your company and the producers of the gas?

A Correct.

Q Is that right?

A Yes.

Q And is that provision, as I understand it, 50% to each?

A 50% to each.

Q I see. And up to date you have not found any market for the gas apart from this trifling quantity of drilling fuels that would cause you to bring that clause of your contract into play, have you?

A That is right.

MR. HARVIE: Up to what date?

A THE WITNESS: Since the operations of this utility it is a different matter.

Q MR. STEER: Yes. And is your transmission line from your present absorption plant to the Madison scrubber operating now?

A Transmission line?

Q Yes?

A Yes.

Q And for how long has that been operating?





Robert Donellan,  
Cross-Exam. by Mr. Steer. - 3053 -

A Some time in December 1944.

Q Yes.

Q DR.-BOOMER: By the way, you have not got that contract here have you?

THE CHAIRMAN: With the 50-50 clause in it.

A THE WITNESS: I will have to look it up. In the vast majority, I think, every one of our contracts are 50-50.

Q DR. BOOMER: But all the gas you handle is under a contract?

MR. HARVIE: All that is being handled now is being handled on that basis.

Q MR. STEER: Have you contracts with every producer of gas that would be naturally tributary to your absorption plant?

A Either a contract or an agreement which covers it.

Q What distinction do you draw there?

A It is running through my mind that one or two did not the contract as such but were willing to operate under the same effect as though they had a contract. I might be incorrect on that

Q I see. In other words, you had a verbal contract embodying the same terms as the one?

A Yes.

Q I see. Now, it is quite clear that all this high pressure which is being turned over to B.A. Natural Gas Utilities, if I give the Company its correct name, was installed for the purpose that you have told us of processing gas as it came from the separators at these wells, that is right?

A That is right.

Q Yes. Are you in a position to tell us what the volume of gas is that might have been expected to pass through that

... ..  
... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..



Robert Donellan,  
Cross-Exam. by Mr. Steer.

- 3054 -

B.A. absorption plant from your area?

A No.

Q As of, we will say, the 1st of January, 1945?

A That is, dealing with the capacity of the field and the amount available?

Q Yes?

A No, I am not competent to say.

Q I would like to have that information, Mr. Chairman, if I may. I would like to be advised as to that, or I would like the witness to inform himself.

THE CHAIRMAN: Will you get that, Mr. Harvie?

MR. HARVIE: Yes.

MR. STEER: As to the quantity of gas that would have been expected to pass through the absorption plant from the 1st of January, 1945 to the end of its life, and, secondly, I would like to get.....

MR. HARVIE: Just excuse me. Pass through the absorption plant from?

MR. STEER: The high pressure system.

MR. HARVIE: The high pressure system?

MR. STEER: Up to the end of the life of the field.

MR. HARVIE: From when?

MR. STEER: The 1st of January, 1945. And I would like also to get the quantity of gas that is added to the system, expected to pass through the absorption plant by reason of the construction of the low pressure system. And I may say that, from the evidence given by Mr. McCutchin, I calculated that those quantities would be 20 billion cubic feet in the one case, or the quantity that might be expected

- 1004 -

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005

1004-1005



Robert Donellan,  
Cross-Exam.by Mr.Steer.

- 3055 -

to pass through the absorption plant under the high pressure system, and an additional 30 billion cubic feet added by reason of the low pressure system.

Q And I would like you to do, Mr. Donellan, if you will, to check up those figures and tell me if I am right?

A All right.

THE CHAIRMAN: Adjourn to Tuesday morning, at half past nine.

(The Hearing was then adjourned to 9.30 A.M., September 18th, 1945).



Robert Bonelli,  
Dance - 1940-1941.

- 1941 -

to your friend, who is a member of the  
system, and a member of the system, who is  
member of the system.

and I would like you to be, in addition, if you will, to  
of on up those things and will be in I am right?

All right.

Adjoining to Tuesday morning, it

half past nine.

(The Evening was then adjourned to 8.30 A.M., next morning 1941).

1941.







